

POST-PETITION LOAN AND SECURITY AGREEMENT

Dated as of May 4, 2000

among

FAMILY GOLF CENTERS, INC.  
and  
its Subsidiaries  
specified on Schedule A attached hereto

as Companies

and

MAGTEN ASSET MANAGEMENT CORP.  
and  
PACHOLDER ASSOCIATES

as Agents for Lenders

and

GENERAL MOTORS EMPLOYEES GLOBAL  
GROUP PENSION TRUST,  
DEPARTMENT OF PENSIONS - CITY OF LOS ANGELES,  
PACHOLDER VALUE OPPORTUNITY FUND, L.P.,  
DOMINIC CHANG

and any firms, persons and/or  
entities specified on Schedule B attached hereto

as Lenders

POST-PETITION LOAN AND SECURITY AGREEMENT, dated as of May 4, 2000, among Family Golf Centers, Inc., a Delaware corporation (AFamily Golf@), and its Subsidiaries specified on Schedule A attached hereto and made a part hereof, each being debtors and debtors in possession under chapter 11 of the Bankruptcy Code (individually, a Company and collectively, the "Companies") in the United States Bankruptcy Court for the Southern District of New York (ABankruptcy Court@), General Motors Employees Global Group Pension Trust (AGM@), Department of Pensions - City of Los Angeles (ADOP@), Pacholder Value Opportunity Fund, L.P. (APVOF@), Dominic Chang (AChang@), and the persons, firms and/or entities specified on Schedule B attached hereto (each a "Lender" and collectively the "Lenders"), and Magten Asset Management Corp., as co-agent for Lenders ("Magten@) and Pacholder Associates, as co-agent for the Lenders (APacholder@) (Magten and Pacholder are collectively referred to as AAgents@).

W I T N E S S E T H :

WHEREAS, on May 4, 2000 (the "Petition Date"), each of the Companies filed a voluntary petition for relief (the APetition@) under Chapter 11 of the Bankruptcy Code with the Bankruptcy Court; and

WHEREAS, the Companies are continuing to operate their respective businesses and manage their properties as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code; and

WHEREAS, an immediate and on-going need exists for the Companies to obtain additional funds in order to continue the operation of their businesses as debtors-in-possession and, accordingly, the Companies have requested that the Lenders extend post-petition financing and the Lenders are willing to provide such post-petition financing and incur such additional obligations pursuant to sections 364(c)(1), (c)(2) and (c)(3) of the Bankruptcy Code but only for the purposes and upon the terms and conditions set forth in this Post-Petition Loan and Security Agreement; and

WHEREAS, it is contemplated by the parties hereto that on or after the Petition Date, the Bankruptcy Court will enter the Interim Order and the Final Order, which will approve this Post-Petition Loan and Security Agreement and will authorize the Companies, pursuant to section 364 of the Bankruptcy Code, to incur secured and super-priority indebtedness under the terms and conditions of this Post-Petition Loan and Security Agreement; and

WHEREAS, in accordance with the Interim Order, the Final Order (when entered by the Bankruptcy Court) and this Post-Petition Loan and Security Agreement, the Lenders will make post-petition loans and other financial accommodations to the Companies;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree as follows:

## 1. DEFINITIONS

In addition to the defined terms appearing above, capitalized terms used in this Post-Petition Loan and Security Agreement have (unless otherwise provided elsewhere in this Post-Petition Loan and Security Agreement) the following respective meanings when used herein:

1.1. **Accounts** means all of each Company's now existing and future accounts (as defined in the U.C.C.) and any and all other receivables (whether or not specifically listed on schedules furnished to the Agents and the Lenders), including, without limitation, all accounts created by or arising from all of its sales of goods or rendition of services to its customers, and all accounts arising from sales or rendition of services made under any of its trade names or styles, or through any of its divisions.

1.2. **Agreement** means this Post-Petition Loan and Security Agreement, including all amendments, modifications and supplements hereto and any appendices, Exhibits or Schedules to any of the foregoing, and refers to this Agreement as the same may be in effect at the time such reference becomes operative.

1.3. **Asset Sale Proceeds** means cash payments in respect of asset sales specifically permitted under Section 9.3(iii) received by any of the Companies (including, without limitation, any cash payments received by way of deferred payment of principal (but not interest) pursuant to a note or receivable or otherwise), less the amount of (a) brokers' and advisors' fees and commissions payable in connection with such sale, (b) the fees and expenses directly attributable to such sale, to the extent not included in clause (a) above, (c) the amount of any Indebtedness (other than the Obligations) secured by a Permitted Lien on the property sold to the extent paid to the holder of such Permitted Lien and (e) all sales taxes and other stamp or documentary taxes paid by the relevant Company in connection with such sale.

1.4. **Bank Accounts** means all now owned and hereafter acquired accounts maintained with any bank or financial institution by any of the Companies.

1.5. **Bankruptcy Code** means Title 11 of the United States Code or any successor statute thereto.

1.6. **Bankruptcy Court** has the meaning set forth in the first paragraph of the recitals of this Agreement or shall mean any other court having competent jurisdiction over the Chapter 11 Cases.

1.7. **Board** means the Board of Governors of the Federal Reserve System of the United States.

1.8. **Business Day** means any day that both Agents are open for business in

New York, New York, which is not (i) a Saturday, Sunday or legal holiday in the state of New York or (ii) a day on which banking institution chartered by the state of New York or the United States are legally required to close.

1.9. **Canadian Asset Contingency** means the perfection of the security interests in all of the Canadian Assets and, to the extent such assets are interests in leaseholds, any necessary landlord recognition agreement or waiver, all in form and substance satisfactory to the Lenders in their sole and absolute discretion.

1.10. **Canadian Assets** mean all of the Collateral situated in and/or subject to the laws of Canada with respect to ownership thereof and/or perfection of security interests therein.

1.11. **Carve Outs** has the meaning set forth in Section 2.3.

1.12. **Cash Collateral Account** has the meaning set forth in Section 8.7.

1.13. **Chapter 11 Cases** means the cases of the Companies pursuant to chapter 11 of the Bankruptcy Code pending in the Bankruptcy Court.

1.14. **Charges** means all federal, state, county, city, municipal, local, foreign or other governmental (including, without limitation, PBGC) taxes at the time due and payable, levies, assessments, charges, liens, claims or encumbrances upon or relating to (i) the Collateral, (ii) the Obligations, (iii) the Companies' employees, payroll, income or gross receipts, (iv) the Companies' ownership or use of any of its assets, or (v) any other aspect of the Companies' businesses.

1.15. **Chattel Paper** means any "chattel paper," as such term is defined in the U.C.C., now owned or hereafter acquired by the Companies.

1.16. **Claim** has the meaning set forth in section 101(5) of the Bankruptcy Code.

1.17. **Closing Date** means the date on which the Interim Order is entered by the Bankruptcy Court.

1.18. **Closing Fee** means the fee payable by the Companies to the Lenders pursuant to Section 3.5.

1.19. **Code** means the Internal Revenue Code of 1986 (or any successor legislation thereto), as amended from time to time.

1.20. **Collateral** has the meaning set forth in Section 5.1.

1.21. **Commitment** means, as to any Lender, the commitment of such Lender to make Loans to the Companies under the DIP Loan Facility, as set forth on Schedule C.

1.22. **Company** and the **Companies** has the meaning specified in the preamble of this Agreement.

1.23. **Consolidated Balance Sheet** means a consolidated balance sheet for the Companies and the Subsidiaries of each Company eliminating all inter-company transactions and prepared in accordance with GAAP.

1.24. **Consolidated Financial Statements** means the Consolidated Balance Sheet and the related consolidated statements of profit and loss, cash flow and surplus of the Companies and the Subsidiaries of each Company eliminating all inter-company transactions and prepared in accordance with GAAP.

1.25. **Consolidating Balance Sheet** means a Consolidated Balance Sheet for the Companies and the Subsidiaries of each Company showing all eliminations of inter-company transactions and prepared in accordance with GAAP.

1.26. **Contaminant** means any substance regulated or forming the basis of liability under any Environmental Law, including, without limitation, any waste, pollutant, hazardous substance, toxic substance, hazardous waste, special waste, petroleum or petroleum-derived substance or waste, or any constituent of any such substance or waste.

1.27. **Contract Rate** means a fixed rate of interest of ten and one-half (10.5%) percent per annum.

1.28. **Contracts** means all contracts, undertakings, or other agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which a Company may now or hereafter have any right, title or interest, or any agreement relating to the terms of payment or the terms of performance thereof.

1.29. **Customarily Permitted Liens** means: (i) Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other like Liens imposed by law, created in the ordinary course of business and for amounts not yet due (or which are being contested in good faith by appropriate proceedings or other appropriate actions which are sufficient to prevent imminent foreclosure of such Liens) and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP; (ii) deposits made (and the Liens thereon) in the ordinary course of business (including, without limitation, security deposits for leases, surety bonds and appeal bonds) in connection with workers' compensation, unemployment insurance and other types of social security benefits or to secure the performance of tenders, bids and contracts (other than for the payment or guarantee of

money or purchase money obligations) entered into in the ordinary course of business, statutory obligations and other similar obligations arising as a result of progress payments under government contracts; (iii) Liens imposed for taxes or assessments with respect to the Real Estate for amounts not yet due (or which are being contested in good faith by appropriate proceedings or other appropriate actions which are sufficient to prevent imminent foreclosure of such Liens); and (iv) title restrictions, easements, restrictions and other title imperfections applicable to the Real Estate that, in the aggregate, do not impair its use in the business of the Companies and are of types customarily acceptable to commercial mortgage lenders in the jurisdiction in which such Real Estate is located.

1.30. **Default** means any event or condition which upon notice or lapse of time or both would constitute an Event of Default.

1.31. **Default Rate of Interest** means a rate of interest per annum equal to the sum of: (i) four percent (4%) plus (ii) the Contract Rate, which the Agents on behalf of the Lenders shall be entitled to charge the Companies on the Obligations to the extent provided in Section 11.2.

1.32. **Designated Borrowing Officer** means Krishnan P. Thampi or such other individual or individuals as may be designated in writing by Krishnan P. Thampi to the Agents.

1.33. **DIP Loan Account** has the meaning specified in Section 2.1(c).

1.34. **DIP Loan Facility** means the commitment of the Lenders to make Loans pursuant to Section 2 in an aggregate amount of up to the Maximum Amount.

1.35. **Documents** means all present and future documents (as defined in the U.C.C.) including, without limitation, all warehouse receipts, bills of lading, shipping documents, chattel paper, instruments and similar documents, all whether negotiable or not and all goods and Inventory relating thereto.

1.36. **EBITDAR** means net income for an accounting period before provision for payment of Interest Expense and Federal income taxes plus depreciation, amortization and rents to the extent deducted from such net income during such accounting period, all as determined by GAAP.

1.37. **Environmental Actions** means any complaint, summons, citation, notice, directive, order, claim, litigation, investigation, proceeding, judgment, letter or other communication from any Governmental Authority or any third party involving a Release (i) from or onto any of the properties presently or formerly owned or leased by any of the Companies or (ii) from or onto any facilities which received Hazardous Materials from any of the Companies or involving any violation of any Environmental Law.

1.38. **Environmental Laws** means all applicable federal, state and local laws, statutes, ordinances and regulations, and all laws, statutes ordinances and regulations of the Country of Canada and/or any provincial or local Governmental Authority or regulatory agency therein, now or hereafter in effect, and in each case as amended or supplemented from time to time, and any judicial or administrative interpretation thereof, including, without limitation, any judicial or administrative order, consent decree or judgment, relating to the regulation and protection of human health, safety, the environment or natural resources (including, without limitation, ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include but are not limited to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. ' 9601 et seq.) ("CERCLA"); the Hazardous Material Transportation Act, as amended (49 U.S.C. ' 180 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act, as amended (7 U.S.C. ' 136 et seq.); the Resource Conservation and Recovery Act, as amended (42 U.S.C. ' 6901 et seq.) ("RCRA"); the Toxic Substance Control Act, as amended (15 U.S.C. ' 2601 et seq.); the Clean Air Act, as amended (42 U.S.C. ' 7401 et seq.); the Federal Water Pollution Control Act, as amended (33 U.S.C. ' 1251 et seq.); the Occupational Safety and Health Act, as amended (29 U.S.C. ' 651 et seq.); and the Safe Drinking Water Act, as amended (42 U.S.C. ' 300f et seq.), and their state and local counterparts or equivalents (and their counterparts or equivalents under all laws, statutes ordinances and regulations of the Country of Canada and/or any provincial or local Governmental Authority or regulatory agency therein) and any transfer of ownership notification or approval statute.

1.39. **Environmental Liabilities and Costs** means, as to any Person, all liabilities, obligations, responsibilities, Remedial Actions, losses, damages, punitive damages, consequential damages, treble damages, costs and expenses (including, without limitation, all fees, disbursements and expenses of counsel, experts and consultants and costs of investigation and feasibility studies), fines, penalties, sanctions and interest incurred as a result of any claim or demand by any other person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, including, without limitation, any thereof arising under any Environmental Law, Permit, order or agreement with any Governmental Authority or other person, and which relate to any environmental, health or safety condition, or a Release or threatened Release, and result from the past, present or future operations of, or ownership of property by, such person or any of its Subsidiaries.

1.40. **Environmental Lien** means any Lien in favor of any Governmental Authority for Environmental Liabilities and Costs.

1.41. **Equipment** means all of a Company's present and hereafter acquired equipment (as defined in the U.C.C.) including, without limitation, all machinery, equipment, furnishings and fixtures, and all additions, substitutions and replacements thereof, wherever located, together with all attachments, components, parts, equipment and accessories installed

thereon or affixed thereto.

1.42. **Event of Default** has the meaning set forth in Section 11.

1.43. **Executive Officers** means any of the Chairman, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Accounting Officer, Vice Presidents, Treasurer, Controller and Secretary of Family Golf.

1.44. **Fee Awards** has the meaning set forth in Section 2.3.

1.45. **Final Order** means an order entered by the Bankruptcy Court, approving this Agreement, the other Loan Documents and authorizing the incurrence by the Companies of permanent post-petition secured and super-priority indebtedness in accordance with this Agreement, and as to which no stay has been entered and which has not been reversed, modified, vacated or overturned, in form and substance satisfactory to the Agents and the Lenders.

1.46. **Fiscal Quarter** means each three (3) month period ending on March 30, June 30, September 30 and December 31.

1.47. **Fiscal Year** means each twelve (12) month period commencing on January 1 of each year and ending on the following December 31.

1.48. **GAAP** means generally accepted accounting principles in the United States of America as in effect from time to time and for the period as to which such accounting principles are to apply.

1.49. **General Intangibles** means all of a Company's "general intangibles" as such term is defined in the U.C.C. and shall include, without limitation, all present and future right, title and interest in and to all trade names, Trademarks (together with the goodwill associated therewith), Patents, licenses, customer lists, distribution agreements, supply agreements and tax refunds, together with all monies and claims for monies now or hereafter due and payable in connection with any of the foregoing or otherwise.

1.50. **Governmental Authority** means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

1.51. **Hazardous Materials** shall mean (i) any element, compound or chemical that is defined, listed or otherwise classified as a solid waste, contaminant, pollutant, toxic pollutant, hazardous substance, extremely hazardous substance, toxic substance, hazardous waste, or special waste under any Environmental Law; (ii) petroleum and its refined fractions; (iii) any polychlorinated biphenyls; (iv) any flammable, explosive or radioactive materials; and



(v) any asbestos-containing materials.

1.52. **Indebtedness** means, without duplication, all liabilities, contingent or otherwise, which are any of the following: (a) obligations in respect of money (borrowed or otherwise and including, without limitation, reimbursement and all similar obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured) or for the deferred purchase price of property, services or assets, other than Inventory, but excluding trade payables not more than 30 days overdue incurred in the ordinary course of business or (b) lease obligations which, in accordance with GAAP, have been or which should be capitalized.

1.53. **Instruments** means any "instrument," as such term is defined in the U.C.C., now owned or hereafter acquired by a Company, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

1.54. **Interest Expense** means for any period, all amounts accrued by the Companies, whether as interest, late charges, service fees or other charge for money borrowed on account of or in connection with the Companies= indebtedness for money borrowed or with respect to which the Companies or any of their respective properties are liable by assumption, operation of law or otherwise, including, without limitation, any leases which are required, in accordance with generally accepted accounting principles, to be carried as a liability on the Companies= balance sheet

1.55. **Interim Order** shall mean the order substantially in the form annexed hereto as **Exhibit E** entered by the Bankruptcy Court pursuant to section 364(c) of the Bankruptcy Code and Bankruptcy Rule 4001(c), approving this Agreement, the other Loan Documents and authorizing the Companies to incur interim post-petition secured and super-priority indebtedness in accordance with this Agreement.

1.56. **Inventory** means all of a Company's present and hereafter acquired inventory (as defined in the U.C.C.), including, without limitation, all merchandise, inventory and goods, and all additions, substitutions and replacements thereof, wherever located, together with all goods and materials used or usable in manufacturing, processing, packaging or shipping same; in all stages of production from raw materials through work-in-process to finished goods.

1.57. **IRS** means the Internal Revenue Service, or any successor thereto.

1.58. **Leases** means all of those leasehold interests in real property owned by any of the Companies, as lessee, as such may be amended, supplemented or otherwise modified from time to time to the extent permitted by this Agreement.

1.59. **Lien** means any mortgage, deed of trust, pledge, hypothecation,

assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any Indebtedness or other obligation, and includes, without limitation, any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, and the filing, under the U.C.C. or comparable law of any jurisdiction, of any financing statement naming the owner of the asset to which such Lien relates as debtor.

1.60. **Loan Documents** means this Agreement, the Promissory Note and all other agreements, instruments, certificates and documents executed by or on behalf of any Company and/or delivered to the Agents and the Lenders in connection with this Agreement.

1.61. **Loan Request** has the meaning set forth in Section 2.1(b).

1.62. **Loans** means the loans made, from time to time, to or for the account of the Companies by the Lenders pursuant to Section 2.1.

1.63. **Material Adverse Change** means a material adverse change in any of (i) the legality, validity or enforceability of any Loan Document, (ii) the perfection or priority of the Liens granted pursuant to this Agreement, (iii) the ability of the Companies to repay the Obligations or to perform their obligations under any of the Loan Documents, or (iv) the rights and remedies of the Lenders or the Agents under the Loan Documents.

1.64. **Material Adverse Effect** means an effect that results in or causes, or has a reasonable likelihood of resulting in or causing, a Material Adverse Change.

1.65. **Maximum Amount** means (a) (i) Ten Million (\$10,000,000) Dollars if the Canadian Asset Contingency is not satisfied or (ii) Fifteen Million (\$15,000,000) Dollars if the Canadian Asset Contingency is satisfied less (b) the aggregate of all principal prepayments made pursuant to Section 2.2(b) from proceeds of Collateral in which the Lenders have been granted a lien.

1.66. **Obligations** means all loans and advances made by the Agents and/or the Lenders to the Companies or to others for the Companies' account (including, without limitation, all Loans, arising under or in connection with this Agreement or any other Loan Document; any and all other indebtedness and obligations which may at any time be owing by the Companies to the Agents and/or the Lenders arising under or in connection with this Agreement or any of the other Loan Documents or under any other agreement or arrangement now or hereafter entered into between the Companies and the Agents and/or the Lenders under or in connection with this Agreement or any of the other Loan Documents and, whether now in existence or incurred by the Companies from time to time hereafter; whether secured by pledge, Lien upon or security interest in any of the Companies' assets or property or the assets

or property of any other Person; whether such indebtedness is absolute or contingent, joint or several, matured or unmatured, direct or indirect and whether the Companies are liable to the Agents and/or the Lenders for such indebtedness as principal, surety, endorser, guarantor or otherwise. Obligations include indebtedness or obligations incurred by, or imposed on, the Agents and/or the Lenders as a result of environmental claims (other than solely as a result of actions of the Agents and/or the Lenders) arising out of any one or more of the Companies' operations, premises or waste disposal practices or sites; any Company's liability to the Agents and/or the Lenders as maker or endorser on any promissory note or other instrument for the payment of money; the Companies' liability to the Agents and/or the Lenders under any instrument of guaranty or indemnity, or arising under any guaranty, endorsement or undertaking which the Agents and/or the Lenders may make or issue to others for any Company's account, the Agents= and/or Lenders= acceptance of drafts or the Agents= and/or Lenders= endorsement of notes or other instruments for any Company's account and benefit, in each case under or in connection with this Agreement or any of the other Loan Documents.

1.67. **Out-of-Pocket and Associated Expenses** means all of the Agents= and/or the Lenders' present and future expenses incurred relative to this Agreement or any other Loan Document, whether incurred heretofore or hereafter (including after the term of this Agreement), which expenses shall include, without being limited to, (i) the cost of record searches, all costs and expenses incurred by the Agents and/or the Lenders in opening bank accounts, depositing checks, receiving and transferring funds, and any charges imposed on the Agents and/or the Lenders due to "insufficient funds" of deposited checks and the Agents= and/or the Lenders' standard fees relating thereto (ii) fees and taxes relative to the filing of financing statements (iii) the actual costs, fees and expenses of Lenders and Agents in negotiating and preparing this Agreement and the Loan Documents and performing its due diligence (including, without limitation, UCC searches, judgment searches, title searches and environmental assessments) and including without limitation legal fees charged, and all costs and expenses incurred, by counsel to Lenders and/or Agents, (iv) all costs, expenses, filing fees and taxes payable in connection with the preparation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Lender's rights in the Collateral, this Agreement and all other existing and future agreements or documents contemplated herein or related hereto, including any amendments, waivers, supplements or consents which may hereafter be made or entered into in respect hereof, or in any way involving claims or defense asserted by any Lender or any Agent or claims or defense against any Lender or any Agent asserted by any Company, any guarantor or any third party directly or indirectly arising out of or related to the relationship between or among any Company and/or any Agent and/or any Lender, (v) all expenses and costs heretofore and from time to time hereafter incurred by Lender during the course of periodic examinations and analysis of the Collateral and the Companies= operations; and (vi) the costs, fees and disbursements of in-house and outside counsel to any Lender or any Agent relating to any of the foregoing.

1.68. **Patents** means all present and hereafter acquired patents and/or patent

rights of the Companies.

1.69. **Permitted Encumbrances** means: (i) the Superior Existing Liens; (ii) any Lien created under the Loan Documents; (iii) Permitted Purchase Money Liens; (iv) Customarily Permitted Liens; (v) Liens against any of the Real Estate and/or to which the Leases are subject for the payment of taxes owing to any Governmental Agency disclosed on Schedule 1.69; (vi) Liens against the Real Estate and/or to which the Leases are subject owing to any Person by reason of work, labor, services or materials performed therefor disclosed on Schedule 1.69; and (vii) Liens of the types described in (v) and/or (vi) above in the aggregate amount not to exceed \$400,000.

1.70. **Permitted Indebtedness** means: (i) Indebtedness existing on the Petition Date; (ii) Indebtedness secured by Permitted Purchase Money Liens; (iii) Obligations; and (iv) Indebtedness between or among the Companies.

1.71. **Permitted Purchase Money Liens** means Liens on any item of equipment acquired after the Petition Date, provided that (i) each such Lien shall attach only to the equipment to be acquired, (ii) a description of the equipment so acquired is furnished to the Agents and (iii) the Indebtedness secured by such Lien shall not exceed at the time of issuance of such Indebtedness the lesser of the cost or fair market value of the equipment acquired thereby.

1.72. **Person** means an individual, partnership, corporation (including, without limitation, a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a Governmental Authority.

1.73. **Petition** has the meaning set forth in the recitals of this Agreement.

1.74. **Petition Date** has the meaning set forth in the recitals of this Agreement.

1.75. **Pledged Collateral** means (i) all of the Pledged Shares; (ii) all additional shares of stock or other securities of any issuer of the Pledged Shares from time to time acquired by any of the Companies in any manner; (iii) the certificates representing the shares referred to in clauses (i) and (ii) above; and (iv) all dividends, cash, instruments and other property or proceeds, from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing to the extent provided herein.

1.76. **Pledged Shares** means all of the shares of capital stock of a Subsidiary owned at the date hereof by any of the Companies.

1.77. **Proceeds** means "proceeds," as such term is defined in Section 9-306(1) of the U.C.C., and, in any event, shall include, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Company from time to time

with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to any Company from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of Governmental Authority), and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

1.78. **Promissory Note** means the Promissory Note in the form of *Exhibit G* hereto executed by the Companies to evidence Loans made by the Lenders to the Companies pursuant to Section 2.

1.79. **Ratable Portion** or **ratably** means, with respect to any Lender, the quotient obtained by dividing the Commitment of such Lender by the Commitments of all Lenders.

1.80. **Real Estate** means the Companies' fee interests in real property.

1.81. **Release** means, as to any Person, any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration, in each case of any Hazardous Material, into the indoor or outdoor environment or into or out of any property owned by such Person, including, without limitation, the movement of Contaminants through or in the air, soil, surface water, ground water or property.

1.82. **Remedial Action** means all actions required to (i) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment, (ii) prevent the Release or threat of Release or minimize the further Release of Contaminants so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, or (iii) perform pre-remedial studies and investigations and post-remedial monitoring and care.

1.83. **Required Lenders** means Each of (i) GM, (ii) DOP, (iii) PVOF, (iv) Magten, (v) Pacholder and (vi) any such party's Subsidiaries and/or affiliates; to the extent any or all of the foregoing has an interest in the unpaid principal balance of the Loans.

1.84. **Requirement of Law** means, as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such person, and all federal, state and local laws, rules and regulations, and all orders, judgments, decrees or other determinations of any Governmental Authority or arbitrator, applicable to or binding upon such person or any of its property or to which such Person or any of its property is subject.

1.85. **Service Marks** means all service marks and certificates of registration of the Companies, together with the goodwill of the business associated with or symbolized by

such marks and registrations, together with (i) all other tradenames, trademarks, service marks, corporate names, company names, business names, fictitious business names, trade styles, logos, other designs or sources or business identifiers or similar devices, all registrations with respect thereto, and all applications with respect to the foregoing, and all reissues, divisions, continuations, extensions, renewals, and continuations-in-part with respect to any of the foregoing, (ii) all of the goodwill of the business connected with and symbolized by such tradenames, Trademarks, service marks, corporate names, company styles, logos, other designs, or sources of business identifiers or similar devices, throughout the world, in each case whether now owned or hereafter created or acquired, and (iii) all rights associated with the foregoing, including license royalties, claims or rights against third parties for any past, present or future infringement of any mark, Trademark or similar device, and all corresponding rights, throughout the world.

1.86. **Specified Collateral** means that Collateral described in Schedule 1.86.

1.87. **Specified Encumbrances** means those Liens specified on Schedule 1.87.

1.88. **Subsidiary** means any corporation, association, partnership or other business entity of which more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of other interests (including general partnership interests) are at the time owned or controlled, directly or indirectly, by any Company or any Subsidiary of any Company, including without limitation, as to Family Golf, the Subsidiaries specified on Schedule A.

1.89. **Superior Existing Liens** means all valid, perfected, enforceable, and nonavoidable liens and security interests of record existing immediately prior to the Petition Date.

1.90. **Termination Date** means the earlier of (i) the date on which a plan of reorganization of any of the Companies is consummated or (ii) eighteen (18) months after the first filing date of any of the Companies= respective Chapter 11 petitions.

1.91. **Title IV Plan** means any retirement plan subject to Title IV of ERISA or Section 412 of the Code (other than a Multiemployer Plan) to which any of the Companies or any ERISA Affiliate has any liability (contingent or otherwise) with respect to its former or active employees (or their beneficiaries).

1.92. **Trade Accounts Receivable** means that portion of Accounts which arises from the sale of Inventory or the rendition of services in the ordinary course of business.

1.93. **Trademarks** means all present and hereafter acquired trademarks and/or trademark rights (together with the goodwill associated therewith) and all cash and non-cash proceeds thereof.

1.94. **U.C.C.** means the Uniform Commercial Code as in effect from time to time in the State of New York.

1.95. **United States Trustee** means the United States Trustee appointed to serve in the Southern District of New York pursuant to 28 U.S.C. ' 581 et seq.

1.96. **Unused Line Fee** means the fee due the Lenders and payable to Lenders at the end of each month in an amount equal to the product of the difference between the Maximum Amount and the average daily balance of outstanding Loans during said month multiplied by one and one-half (1.5%) percent per annum for the number of days in said month divided by 360.

Any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed, unless otherwise specifically provided herein, in accordance with GAAP consistently applied. That certain terms or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. All other undefined terms contained in this Agreement shall, unless the context indicates otherwise, have the meanings provided for by the U.C.C. to the extent the same are used or defined therein. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole, including the Exhibits and Schedules hereto, as the same may from time to time be amended, modified or supplemented and not to any particular section, subsection or clause contained in this Agreement.

Each reference to a Section, Schedule or Exhibit is to a Section, Schedule or Exhibit, respectively, of or to this Agreement, unless otherwise specified or the context otherwise requires.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter.

## **2. AMOUNT AND TERMS OF LOANS**

2.1. **Loans.** (a) Upon the Agents' receipt from the Companies of the executed Promissory Note payable to the Lenders, each Lender severally agrees, subject to the terms and conditions of this Agreement from time to time from the Closing Date through the Termination Date, to make loans to the Companies, subject to the limitations set forth herein. No Lender shall be required to make any loan in any amount in excess of such Lender's Ratable Portion of the amount requested. The aggregate principal balance of all outstanding Loans shall at no time exceed the Maximum Amount.

(b) Each request for a Loan (ALoan Request®) shall be delivered by a Designated Borrowing Officer on behalf of the Companies to each Agent. All Loan Requests must be for an amount which is a multiple of \$100,000 but not in excess of \$5,000,000. No more than six (6) Loan Requests may be made during the term hereof. No more than two (2) Loan Requests may be made in any month during the term hereof. All Loan Requests must be received by an officer of the Agent no later than 11:00 a.m., New York time, ten (10) Business Days prior to the day on which such advance is required, provided however that such ten (10) Business Days advance notice shall not be required with respect to the initial Loan Request, provided (i) such initial Loan Request is made and received by the Agents at least two (2) Business Days in advance of the day on which it is required and (ii) such initial Loan Request is made within one (1) Business Day after the entry of the Interim Order and (iii) that such Loan Request is not for an amount in excess of \$4,000,000.

(c) The Agents shall collectively maintain an account on the Agents books in the name of the Companies (the "DIP Loan Account") in which the Companies will be charged with loans and advances made by the Agents and the Lenders (or any of them) to the Companies for their account. The Companies will be credited with all amounts received by the Agents and/or the Lenders from them or from others for their account. In addition, the Agents may charge the DIP Loan Account with any other Obligations, including Out-of-Pocket and Associated Expenses. All amounts charged to the DIP Loan Account shall be deemed Loans for all purposes hereunder.

(d) In the event that the outstanding balance of Loans (including any accrued but unpaid interest thereon and any fees and expenses relating thereto) exceeds the Maximum Amount, such excess shall be due and payable to Lenders in accordance with each Lender's Ratable Portion immediately upon either Agents' demand therefor.

## 2.2. Repayment; Mandatory Payments and Prepayment.

(a) On the Termination Date, the Companies shall repay to the Lenders the entire unpaid aggregate principal amount of the Loans, together with all other sums due hereby and/or under the other Loan Documents.

(b) The Companies may prepay the Loans in whole or in part during the term hereof, but only if such prepayment is accompanied by a fee equal to two (2%) percent of the principal amount prepaid (the APrepayment Fee®). The Prepayment Fee shall also be due and payable if the any or all of the Obligations are accelerated upon or after the occurrence of an Event of Default.

2.3. Use of Proceeds. The Companies agree that the proceeds from the Loans may only be used to pay (i) post-petition operating expenses of the Companies and such other expenses as may be agreed in writing by the Companies and the Lenders, (ii) fees required to



be paid to the Office of the United States Trustee pursuant to 28 U.S.C. Section 1930(a), (iii) compensation for services rendered or reimbursement of expenses incurred that are permitted to be paid by the Bankruptcy Court under sections 330 or 331 of the Bankruptcy Code (collectively, the "Fee Awards") prior to the date of the occurrence of an Event of Default to professionals retained pursuant to an order of the Bankruptcy Court by the Companies or any official committee appointed pursuant to Section 1102 of the Bankruptcy Code and (iv) allowances of the type referred to in the immediately preceding clause (iii) that are permitted to be paid by the Bankruptcy Court under Sections 330 or 331 of the Bankruptcy Code for all professionals after the occurrence of any Event of Default. The expenses set forth in clauses (ii), (iii) and (iv) above are hereinafter collectively referred to as the "Carve Outs". Nothing herein shall in any way prejudice or prevent either Agent or any Lender from objecting, for any reason, to any requests or applications made by any party for compensation or reimbursement of expenses pursuant to section 330 or 331 of the Bankruptcy Code the payment of which the Companies may use proceeds from the Loans as a Permitted Expense in accordance with clause (ii), (iii) or (iv) of this Section 2.3 or otherwise.

2.4. Access. Each Lender and each Agent and any of its officers, employees and/or agents shall have the right, exercisable as frequently as such Lender(s) and/or such Agent(s) determine(s) to be appropriate, during normal business hours (or at such other times as may reasonably be requested by such Lender and the Agent), to inspect the properties and facilities of the Companies and to inspect, audit and make extracts from each of the Companies' records, files and books of account. The Companies shall deliver any document or instrument reasonably necessary to obtain records from any service bureau maintaining records for any of the Companies and shall maintain duplicate records or supporting documentation on media, including, without limitation, computer tapes and discs owned by the Companies. The Companies shall instruct their banking and other financial institutions to make available to any Lender such information and records as such Lender may reasonably request.

2.5. Taxes. (a) Any and all payments by the Companies hereunder or under the Promissory Note shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, attributable thereto and all liabilities with respect thereto, excluding taxes imposed on or measured by the gross or net income or revenues of the Lenders by the jurisdiction under the laws of which any Lender is organized or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Indemnified Taxes"). If the Companies shall be required by law to deduct any Indemnified Taxes from or in respect of any sum payable hereunder or under the Promissory Note to the Lenders, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.5) any Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Companies shall make such deductions and (iii) the Companies shall pay the full amount deducted to the relevant taxing or other authority in

accordance with applicable law.

(b) In addition, the Companies agree to pay any present or future stamp or documentary taxes or any other sales, excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Promissory Note or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the Promissory Note (hereinafter referred to as "Other Taxes").

(c) The Companies shall indemnify the Lenders for the full amount of Indemnified Taxes or Other Taxes (including, without limitation, any Indemnified Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.5) paid by the Lenders and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 10 days from the date Lender makes written demand therefor.

(d) Within 10 days after the date of any payment of Indemnified Taxes, the Companies shall furnish to the Agent, at its address referred to in Section 12.10, the original or a certified copy of a receipt evidencing payment thereof.

(e) Without prejudice to the survival of any other agreement of the Companies hereunder, the agreements and obligations of the Companies contained in this Section 2.5 shall survive the payment in full of principal and interest hereunder and under the Promissory Note.

2.6. Nature of Obligations. The Companies shall be jointly and severally liable for the payment and performance of all Obligations to be performed by any of them, and each Company shall be bound by any notices, consents or other actions furnished or taken by any of the Companies. At the request of the Agent, each Company shall confirm in writing any action taken or proposed to be taken by any of the other Companies; provided, however, that the failure by any Company to furnish such confirmation shall not affect such Company's obligations under the preceding sentence or any other provision of this Agreement. Each Company hereby agrees that it shall be jointly and severally liable for all Obligations and that such liability shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of any provision of this Agreement, any other Loan Document, or avoidance or subordination of any of the Obligations, in any case relating to any other Company;

(b) any change in the time, manner or place of payment of, or in any other term of, or any increase in the amount of, all or any of the Obligations, or any other amendment or waiver of any term of, or any consent to departure from any requirement of, this Agreement, the Promissory Note or any of the other Loan Documents;

(c) any exchange, release or non-perfection of any Lien on any collateral for, or any release or amendment or waiver of any term of any guaranty of, or any consent to departure from any requirement of any guaranty of, all or any of the Obligations;

(d) the absence of any attempt to collect any of the Obligations from any other Company or from any other guarantor or any other action to enforce the same or the election of any remedy by the Agents and the Lenders;

(e) any waiver, consent, extension, forbearance or granting of any indulgence to any other Company by either Agent or any Lenders with respect to any provision of this Agreement or any other Loan Document; or

(f) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a borrower or a guarantor.

### **SECTION 3. INTEREST, FEES AND EXPENSES**

3.1. Interest. Interest on the Loans shall be payable monthly, in arrears, on the unpaid principal balance of the Loans at the Contract Rate, calculated based on a year of three hundred and sixty (360) days, but for the actual number of days elapsed.

3.2. Out-of-Pocket and Associated Expenses. The Companies shall reimburse or pay the Lenders for all Out-of-Pocket and Associated Expenses ON DEMAND by the Agents or the Lenders.

3.3. Unused Line Fee. Upon the last Business Day of each month, commencing with the last day of the month in which this Agreement is executed, the Companies shall pay the Lenders the Unused Line Fee.

3.4. Closing Fee. The Companies shall pay to the Lenders a Closing Fee in the amount of Five Hundred Thousand (\$500,000) Dollars upon the Closing Date.

3.5. Funding Fee. On the Termination Date, or earlier termination of this Agreement according to the terms hereof (whether by prepayment, acceleration or otherwise), the Companies shall pay to the Lenders a Funding Fee based on the maximum outstanding principal balance of the Loans during the term hereof determined as follows: (a) If the maximum outstanding principal balance of all Loans totals Seven Million Dollars (\$7,000,000) or more but less than Nine Million Dollars (\$9,000,000), the Funding Fee shall be Five Hundred Thousand Dollars (\$500,000); (b) If the maximum outstanding principal balance of all Loans totals Nine Million Dollars (\$9,000,000) or more but less than Eleven Million Dollars (\$11,000,000), the Funding Fee shall be Seven Hundred Fifty Thousand Dollars (\$750,000); (c) If the maximum outstanding principal balance of all Loans totals Eleven Million Dollars (\$11,000,000) or more but less than Thirteen Million Dollars (\$13,000,000),

the Funding Fee shall be One Million Dollars (\$1,000,000); and (d) If the maximum outstanding principal balance of all Loans totals Thirteen Million Dollars (\$13,000,000) or more, the Funding Fee shall be One Million Two Hundred Fifty Thousand Dollars (\$1,250,000).

3.6. Payment of Fees. Each of the Companies hereby authorizes the Agents to charge the DIP Loan Account with the Agents with the amount of all payments due hereunder as such payments become due. Each of the Companies confirms that any charges which the Agent may so make will be made as an accommodation to the Companies and solely at the Agents= discretion.

3.7. Payments to Lenders. All payments required hereunder and required pursuant to the Promissory Note and the other Loan Documents, including without limitation, interest and fees payable in connection with this Section 3, shall be made by the Companies directly to each Lender in connection with its/his Ratable Portion.

3.8. No Usury. Notwithstanding any other provision of this Agreement, the maximum rate of interest payable on the Obligations shall not exceed the maximum rate permitted by applicable law.

#### **4. CONDITIONS PRECEDENT**

4.1. Conditions to the Initial Loans. Notwithstanding any other provision of this Agreement, the Lenders shall not be obligated to make any Loans unless and until the events set forth in Section 4.1(a) shall have occurred and the Companies shall have delivered to the Agent in form and substance satisfactory to the Lenders, the documents set forth in Section 4.1(b), each dated as of the Closing Date unless otherwise indicated.

(a) Events.

(i) The Bankruptcy Court shall have entered the Interim Order in the form annexed hereto as Exhibit D or with such modifications as are acceptable to the Agents and Lenders, in their sole and absolute discretion. Such Interim Order shall be in full force and effect and shall not have been vacated, reversed, modified, amended or stayed in any respect and, in the event that such order is the subject of any pending appeal, the performance of any obligation of any party hereto shall not be the subject of a stay pending appeal.

(ii) All corporate and judicial proceedings taken in connection with the execution of this Agreement, the making of the Loans and the execution and delivery of all other Loan Documents and all documents and papers relating thereto shall be satisfactory to each Agents and its counsel in its sole and absolute discretion. Each Agent and its counsel shall have received copies of such documents and papers as such

Agent or its counsel may reasonably request in connection therewith, all in form and substance satisfactory to such Agent and its counsel in its sole and absolute discretion.

(b) Closing Documents.

(i) This Agreement and each of the other Loan Documents, duly executed and delivered by each Company.

(ii) the Promissory Note payable to the order of the Lenders duly executed by each Company.

(iii) Certificates of the Secretary or an Assistant Secretary of each Company, dated the Closing Date, as to the incumbency and signatures of the officers of Companies executing this Agreement, the Promissory Note and each of the other Loan Documents and any other certificate or other document to be delivered pursuant hereto or thereto, together with evidence of the incumbency of such Secretary or Assistant Secretary.

(iv) Evidence that the casualty insurance policies provided for in Section 8.3(a) are in full force and effect, together with appropriate evidence showing a loss payable clause in favor of the Lenders.

(v) Any additional information and materials as the Lenders may reasonably request.

4.2. Conditions to Each Loan. It shall be a further condition to the funding of the each Loan that the following statements shall be true on the date of each such funding or incurrence:

(a) All of the representations and warranties of Companies contained herein or in any of the other Loan Documents shall be correct on and as of the Closing Date in all material respects and the date of funding of each such Loan as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date and for changes therein permitted or contemplated by this Agreement.

(b) Without limiting the 4.2(a) above, the Lenders shall be satisfied in their sole and absolute discretion that the security interests granted in the Specified Collateral constitute first priority security interests subject to no liens claims or encumbrances of any kind or description except for Specified Encumbrances.

(c) No event shall have occurred and be continuing, or would result from the funding of any Loan, which constitutes or would constitute a Default or an Event of Default.

(d) The Interim Order shall be in full force and effect and shall not have been

vacated, reversed, modified, amended or stayed in any respect or, if entered by the Bankruptcy Court, the Final Order shall be in full force and effect and shall be in form and substance satisfactory to each Agent and the Lenders and shall not have been vacated, reversed, modified, amended or stayed in any respect, and in the event that either such order is the subject of any pending appeal, the performance of any obligation of any party hereto shall not be the subject of any stay pending appeal.

(e) The requested Loan when added to the aggregate outstanding Loans shall not exceed the Maximum Amount.

(f) Lenders must have received a written Loan Request Form, in the form attached hereto as Exhibit H.

4.3. Representation and Confirmation. The acceptance by any Company of the proceeds of any Loan shall be deemed to constitute, as of the date of such acceptance, (a) a representation and warranty by such Company that the applicable conditions in this Section 4 have been satisfied and (b) a confirmation by such Company of the granting and continuance of the Lien granted to the Agents for the benefit of the Lenders pursuant to this Agreement.

## **5. COLLATERAL**

5.1. Security. (a) To induce the Lenders to make the Loans, grant to the Lenders as security for the Obligations a continuing first priority lien and security interest (subject only to Permitted Encumbrances) in accordance with sections 364(c)(2) and (3) of the Bankruptcy Code in and to all of the property and assets of the Companies and their estates, real and personal, tangible and intangible, whether now owned or existing or hereafter acquired or arising and regardless of where located (hereinafter referred to as the "Collateral") including, but not limited to:

- (i) all Accounts of each of the Companies
- (ii) all Chattel Paper of each of the Companies;
- (iii) all Contracts of each of the Companies;
- (iv) all Documents of each of the Companies;
- (v) all Equipment of each of the Companies;
- (vi) all General Intangibles of each of the Companies;
- (vii) all Instruments of each of the Companies;

- (viii) all Inventory of each of the Companies;
- (ix) all Leases to which any of the Companies are a party;
- (x) all Real Estate owned by any of the Companies;
- (xi) all Trademarks of each of the Companies;
- (xii) all Service Marks of each of the Companies;
- (xiii) all Licenses of each of the Companies;
- (xiv) all concession or similar agreements to which any Company is a party;
- (xv) all Pledged Collateral;
- (xvi) all causes of action of each of the Companies;
- (xvii) the Cash Collateral Account;
- (xviii) all other goods, real and personal property of each of the Companies, whether tangible or intangible and whether now owned or hereafter acquired and wherever located;
- (xix) to the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of the foregoing;
- (xx) to the extent not otherwise included, all monies and other property of any kind which, after the Petition Date, is received by any of the Companies in connection with refunds with respect to taxes, assessments and governmental charges imposed on the Companies or any of their property or income; and
- (xxi) to the extent not otherwise included, all monies and other property of any kind and nature recovered by any of the Companies in accordance with the provisions of the Bankruptcy Code, including, without limitation, sections 542, 553, 544, 547, 548 and 550 thereof, or other applicable law.

5.2. Perfection of Security Interests. (a) The liens and security interests granted herein shall be deemed valid, enforceable and perfected by entry of the Interim Order and the Final Order, as the case may be. No financing statement, notice of lien, mortgage or similar instrument in any jurisdiction or filing office need be filed or any other action taken in order to validate or perfect the liens and security interests granted by or pursuant to this

Agreement, the Interim Order or the Final Order.

(b) The liens and security interests, lien priority, administrative priorities and other rights and remedies granted to the Agents for the benefit of the Lenders pursuant to this Agreement, the Interim Order and/or the Final Order (specifically including but not limited to the existence, perfection and priority of the Liens and security interests provided herein and the administrative priority provided herein) shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of debt by the Companies (pursuant to section 364 of the Bankruptcy Code or otherwise), or by any dismissal or conversion of the Chapter 11 Cases, or by any other act or omission whatsoever. Without limitation, notwithstanding any such order, financing, extension, incurrence, dismissal, conversion, act or omission:

(i) except for the Carve Outs, no costs or expenses of administration which have been or may be incurred in the Chapter 11 Cases or any conversion of the same or in any other proceedings related thereto, and no priority claims, are or will be prior to or on a parity with any claim of the Agents or the Lenders against the Companies in respect of any Obligation;

(ii) the liens and security interests set forth in Section 5.1 shall constitute valid and perfected first priority liens and security interests, subject only to the Carve Outs and Superior Existing Liens, and shall be prior to all other liens and security interests, now existing or hereafter arising, in favor of any other creditor or any other Person whatever; and

(iii) with respect to the Specified Collateral, the liens and security interests set forth in Section 5.1 shall constitute valid and perfected first priority liens and security interests, subject only to the Permitted Purchase Money Liens, Customary Permitted Liens and Specified Encumbrances, and shall be prior to all other liens and security interests, now existing or hereafter arising, in favor of any other creditor or any other Person whatever; and

(iii) the liens and security interests granted hereunder shall continue valid and perfected without the necessity that financing statements be filed or that any other action be taken under applicable nonbankruptcy law.

(c) Notwithstanding subsections (a) and (b) of this Section 5.2, or any failure on the part of the Companies or the Agents or the Lenders to perfect, maintain, protect or enforce the liens and security interests in the Collateral granted hereunder, the Interim Order and the Final Order (when entered) shall automatically, and without further action by any Person, perfect such liens and security interests against the Collateral.

**5.3. Rights of Lender; Limitations on Lenders' Obligations.** (a) Neither Agent



nor any of the Lenders shall have any obligation or liability under any Contract by reason of or arising out of this Agreement, the other Loan Documents or the granting to the Agent for the benefit of the Lenders of a Lien therein or the receipt by the Agents or the Lenders of any payment relating to any Contract pursuant hereto, nor shall either Agent nor any of the Lenders be required or obligated in any manner to perform or fulfill any of the obligations of the Companies under or pursuant to any Contract, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) The Agents may at any time, upon the occurrence and during the continuation of any Event of Default subject to the rights, if any, of the holders of Superior Existing Liens, after first notifying the Companies of its intention to do so, notify Account Debtors, parties to the Contracts of the Companies, obligors of Instruments of the Companies and obligors in respect of Chattel Paper of the Companies that the right, title and interest of the Companies in and under such Accounts, such Contracts, such Instruments and such Chattel Paper have been assigned to the Agents for the benefit of the Lenders and that payments shall be made directly to the Agent. Upon the request of the Agent, the Companies will so notify such Account Debtors, such parties to Contracts, obligors of such Instruments and obligors in respect of such Chattel Paper. Upon the occurrence and during the continuation of an Event of Default, subject to the rights, if any of the holders of Superior Existing Liens, the Agents may in its own name or in the name of others communicate with such parties to such Accounts, such Contracts, such Instruments and such Chattel Paper to verify with such Persons to Agent's satisfaction the existence, amount and terms of any such Accounts, Contracts, Instruments or Chattel Paper. The automatic stay under section 362 of the Bankruptcy Code shall be deemed vacated so as to permit the Agents to take the actions permitted under this Section 5.3(b), and the Companies hereby acknowledge and agree that any actions taken by the Agents hereunder shall not constitute a violation of the automatic stay provided by section 362 of the Bankruptcy Code and the Companies hereby waive the automatic stay to the extent applicable.

(c) The Agents shall have the right, upon the occurrence and during the continuance of an Event of Default, to make test verifications of the Accounts and physical verifications of the Inventory in any manner and through any medium that it considers advisable, and the Companies agree to furnish all such assistance and information as the Agents may require in connection therewith. Upon the occurrence and during the continuance of an Event of Default the Companies, at their expense, will cause certified independent public accountants satisfactory to each Agent to prepare and deliver to each Agent at any time and from time to time, promptly upon the Agent's request, the following reports: (i) a reconciliation of all Accounts of the Companies, (ii) an aging of all Accounts of the Companies, (iii) trial balances, and (iv) a test verification of such Accounts as the Agents may request. The Companies, at their expense, will cause certified independent public accountants

satisfactory to the Agents to prepare and deliver to the Agents the results of the annual physical verification of their Inventory made or observed by such accountants.

(d) The Companies will keep and maintain the Equipment in good operating condition sufficient for the continuation of the business conducted by the Companies on a basis consistent with past practices, and the Companies will provide all maintenance and service and all repairs necessary for such purpose.

5.4. Performance by the Lenders of Companies' Obligations. If the Companies fail to perform or comply with any of their agreements contained herein and the Agents or Lenders, as provided for by the terms of this Agreement, shall perform or comply, or otherwise cause performance or compliance, with such agreement, the reasonable expenses of the Agents incurred in connection with such performance or compliance, together with interest thereon at the rate then in effect in respect of the Loans, shall be payable by the Companies to the Agents on demand and shall constitute Obligations secured by the Collateral. Performance of the Companies' obligations as permitted under this Section 5.4 shall in no way constitute a violation of the automatic stay provided by section 362 of the Bankruptcy Code and the Companies hereby waive applicability thereof. Moreover, neither the Agents nor any of the Lenders shall in any way be responsible for the payment of any costs incurred in connection with preserving or disposing of Collateral pursuant to section 506(c) of the Bankruptcy Code and the Collateral may not be charged for the incurrence of any such cost by any party.

5.5. Limitation on Lenders' Duty in Respect of Collateral. Neither the Agents nor any of the Lenders shall have any duty as to any Collateral in its possession or control or in the possession or control of any of its agents or nominees of or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto, except that the Agents and the Lenders shall use reasonable care with respect to the Collateral in their possession or under their control. Upon request of the Companies, the Lenders shall account for any moneys received by them in respect of any foreclosure on or disposition of the Collateral.

5.6. Remedies, Rights Upon Default. (a) If any Event of Default shall occur and be continuing, the Agents may, exercise in addition to all other rights and remedies granted to it in this Agreement and in any other Loan Document, all rights and remedies of a secured party under the U.C.C. Without limiting the generality of the foregoing, each Company expressly agrees that in any such event the Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon such Company or any other Person (all and each of which demands, advertisements and/or notices are hereby expressly waived to the maximum extent permitted by the U.C.C. and other applicable law), may forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver the Collateral (or contract to do so), or any part thereof, in one or more parcels at

public or private sale or sales, at any exchange or broker's board or at any of the Agent's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agents shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption the Companies hereby release. The Companies further agree, at the Agent's request, to assemble the Collateral and make it available at places which the Agents shall reasonably select, whether at the Companies' premises or elsewhere. The Agents shall apply the proceeds of any such collection, recovery, receipt, appropriation, realization or sale (net of all expenses incurred by the Agents and the Lenders in connection therewith, including, without limitation, attorney's fees) to the Obligations in any order deemed appropriate by the Agent, the Companies remaining liable for any deficiency remaining unpaid after such application, and only after so paying over such net proceeds and after the payment by the Agents of any other amount required by any provision of law, including section 9-504(1)(c) of the U.C.C., need the Agents account for the surplus, if any, to the Companies. To the maximum extent permitted by applicable law, each Company waives all claims, damages, and demands against the Agents and the Lenders arising out of the repossession, retention or sale of the Collateral except such as arise out of the gross negligence or wilful misconduct of the Agents or the Lenders. Each Company agrees that the Agents and the Lenders need not give more than ten (10) days' notice (which notification shall be deemed given when mailed or delivered on an overnight basis, postage prepaid, addressed to such Company at its address referred to in Section 12.10) of the time and place of any public sale or of the time after which a private sale may take place and that such notice is reasonable notification of such matters. The Companies shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Obligations. The Companies are also liable for the fees of any attorneys employed by the Agents and/or the Lenders to collect such deficiency.

(b) In addition to the rights granted to the Agents and the Lenders under Section 5.6(a) above, if any Event of Default shall occur and be continuing, subject to any rights of a Superior Existing Lien holder, the Agents may transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, exercise the voting rights with respect thereto, collect and receive all cash dividends and other distributions made thereon and otherwise act with respect to the Pledged Collateral as though the Lenders were the outright owner thereof; provided, however, the Agents shall not have any duty to exercise any such right or to preserve the same and shall not be liable for any failure to do so or for any delay in doing so.

(c) Each Company agrees to pay all reasonable costs of the Agents and the Lenders, including, without limitation, attorneys' fees, incurred in connection with the enforcement of any of their rights and remedies hereunder.

(d) Each Company hereby waives presentment, demand, protest or any notice

(to the maximum extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral. In no event shall prior recourse to any Collateral be a prerequisite to the Agent's right to demand payment of any of the Obligations.

5.7. Automatic Stay. During the continuance of an Event of Default, upon five (5) Business Days notice to the Companies, any Creditors' Committee and the United States Trustee, the automatic stay provided under section 362 of the Bankruptcy Code shall be deemed automatically vacated to permit the Agents and the Lenders to take immediately any action permitted under this Agreement, the other Loan Documents, the Bankruptcy Code, the U.C.C. or other applicable law with respect to the Collateral or otherwise.

5.8. Agent's Appointment as Attorney-in-Fact. (a) The Companies hereby irrevocably constitute and appoint the Agents and any officer or agent thereof, with full power of substitution, as their true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of each of the Companies and in the name of each of the Companies or in its own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary and desirable to accomplish the purposes of this Agreement and the transactions contemplated hereby, and, without limiting the generality of the foregoing, hereby give the Agents the power and right, on behalf of the Companies, without notice to or assent by the Companies to do the following:

(i) to ask, demand, collect, receive and give acquittances and receipts for any and all moneys due and to become due under any Collateral and, in the name of any of the Companies or its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other Instruments for the payment of moneys due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any Collateral whenever payable and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agents for the purpose of collecting any and all such moneys due under any Collateral whenever payable;

(ii) to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs thereof; and

(iii) (A) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due, and to become due thereunder, directly to the Agents or as the Agents shall direct; (B) to receive payment of and receipt for any and all moneys, claims and other amounts due, and to become due at any time, in respect of or arising out of any Collateral; (C) to sign and indorse any invoices, freight

or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other documents constituting or relating to any of the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against the Companies with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Agents may deem appropriate; (G) to license or, to the extent permitted by an applicable license, sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Trademark, throughout the world for such term or terms, on such conditions, and in such manner, as the Agents shall in their sole discretion determine; and (H) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agents were collectively the absolute owner thereof for all purposes, and to do, at the Agent's option and the Companies' expense, at any time, or from time to time, all acts and things which the Agents reasonably deem necessary to protect, preserve or realize upon the Collateral and the Agents' liens and security interests therein in order to effect the intent of this Agreement, all as fully and effectively as the Companies might do.

(b) The Agents agree that, except as otherwise provided in this Agreement, it will forbear from exercising the power of attorney or any rights granted to the Agents pursuant to this Section 5.8, except upon the occurrence and during the continuation of an Event of Default. The Companies hereby ratify, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue hereof. Exercise by the Agents or any Lender of the powers granted hereunder is not a violation of the automatic stay provided in section 362 of the Bankruptcy Code and the Companies waive applicability thereof. The power of attorney granted pursuant to this Section 5.8 is a power coupled with an interest and shall be irrevocable until the Obligations are indefeasibly paid in full.

(c) The powers conferred on the Agents hereunder are solely to protect the Lenders' interests in the Collateral and shall not impose any duty upon it or them to exercise any such powers. The Agents shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor the Lenders nor any of their respective officers, directors, employees or agents shall be responsible to the Companies for any act or failure to act, except for their own gross negligence or willful misconduct.

(d) The Companies also authorize the Agent, at any time and from time to time upon the occurrence and during the continuation of any Event of Default or as otherwise expressly permitted by this Agreement, (i) to communicate in its own name with any party to any Contract with regard to the assignment of the right, title and interest of the Companies in and under the Contracts hereunder and other matters relating thereto and (ii) to execute any

endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

5.9. Super-Priority Claims. The Loans and all other Obligations shall constitute, in accordance with section 364(c)(1) of the Bankruptcy Code, claims against each of the Companies in its Chapter 11 Case which are administrative expense claims having priority over any and all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code, except for Carve Outs.

## **6. REPRESENTATIONS AND WARRANTIES**

To induce the Lenders to make the DIP Loan Facility available to the Companies, each Company on behalf of itself and each other Company makes the following representations and warranties to the Lenders, each and all of which shall be true and correct as of the date of execution and delivery of this Agreement, and shall survive the execution and delivery of this Agreement:

6.1. Corporate Existence; Compliance with Law. Such Company (i) is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation; (ii) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification (except for jurisdictions in which such failure so to qualify or to be in good standing would not have a Material Adverse Effect); (iii) has the requisite corporate power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease, and to conduct its business as now, heretofore and proposed to be conducted; and (iv) has all material licenses, permits, consents or approvals from or by, and has made all material filings with, and has given all material notices to, all governmental authorities having jurisdiction, to the extent required for such ownership, operation and conduct, except to the extent non-compliance with this Subsection 6.1(iv) would not have a Material Adverse Effect on the companies or their assets (or any of them).

6.2. Executive Offices. The current location of the Companies' executive offices and principal places of business are set forth on Schedule 6.2.

6.3. Corporate Power; Authorization; Enforceable Obligations. The execution, delivery and performance by such Company of the Loan Documents and all instruments and documents to be delivered by such Company, to the extent it is party thereto, hereunder and the creation of all Liens provided for herein and therein: (i) are within such Company' corporate power; (ii) have been duly authorized by all necessary or proper corporate action and by the Closing Date will be authorized by the Interim Order or the Final Order, as applicable; (iii) are not in contravention of any provision of such Company's certificates or articles of incorporation or by-laws; (iv) will not, upon the entry of the Interim Order or the Final Order,

as applicable, by the Bankruptcy Court, violate any law or regulation, or any order or decree of any court or governmental instrumentality; (v) will not result in the creation or imposition of any Lien upon any of the property of such Company other than those in favor of the Lenders, all pursuant to the Loan Documents; and (vi) do not require the consent or approval of any governmental body, agency, authority or any other Person other than the entry by the Bankruptcy Court of the Interim Order or the Final Order, as applicable. Each of the Loan Documents has been duly executed and delivered for the benefit of or on behalf of the Companies and each constitutes a legal, valid and binding obligation of the Companies, enforceable against them in accordance with its terms.

6.4. Ownership of Property; Liens. (a) Each Company owns good and marketable fee simple title to all of the Real Estate described on Schedule 6.4(a)(i) hereto under the name of such Company and each Company has good, valid and marketable leasehold interests in the Leases described in Schedule 6.4(a)(ii) hereto under the name of such Company, and good and marketable title to, or valid leasehold interests in, all of its other properties and assets and none of the properties and assets of such Company, including, without limitation, the Real Estate and Leases, is subject to any Liens, except Permitted Encumbrances; and each Company has received all deeds, assignments, waivers, consents, non-disturbance and recognition or similar agreements, bills of sale and other documents, and duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Company's right, title and interest in and to all such property except where the failure to have received such documents or effected such actions will not, in the aggregate, have a Material Adverse Effect.

(b) All real property owned or leased by the Companies is set forth on Schedule 6.4(b). No Company owns any other real estate or is lessee or lessor under any leases other than as set forth therein. Schedule 6.4(b) is true and correct in all material respects. Part one of Schedule 6.4(b) hereto sets forth all leases of real property held by the Companies as lessee and part two of Schedule 6.4(b) sets forth all leases of real property held by the Companies as lessor together with information regarding the commencement date, termination date, renewal options (if any) and annual base rents. Each of such Leases is valid and enforceable in accordance with its terms and is in full force and effect except as the same may be affected by the commencement of the Chapter 11 Cases and the transactions contemplated thereby.

(c) The aggregate indebtedness under a certain Amended and Restated Credit, Security, Guaranty and Pledge Agreement dated as of December 2, 1998 as Amended and Restated as of October 15, 1999 by and among Family Golf, the guarantors named therein and the financial institutions a party thereto is not in excess of \$ \_\_\_\_\_ in the aggregate.

6.5. Taxes. Except as disclosed on Schedule 6.5, all federal, state, local and foreign tax returns, reports and statements required to be filed by the Companies after the Petition Date have been filed with the appropriate governmental agencies and all Charges and other impositions shown thereon to be due and payable have been paid prior to the date on

which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof, or any such fine, penalty, interest, late charge or loss has been paid. Except as disclosed on Schedule 6.5, no Company has agreed or has been requested to make any adjustment under Code Section 481(a) by reason of a change in accounting method or otherwise. Except as disclosed on Schedule 6.5, no Company is a party to any written tax sharing agreement with a Person other than a Company or a Subsidiary.

6.6. Full Disclosure. No representation or warranty made by the Companies in this Agreement or any other Loan Document is inaccurate or misleading in any material respect and none contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained herein or therein not misleading. To the extent the Companies furnish any projections of the financial position and results of operations of the Companies for, or as at the end of, certain future periods, such projections were believed at the time furnished to be reasonable, have been or will have been prepared on a reasonable basis and in good faith by the Companies, and have been or will be based on assumptions believed by the Companies to be reasonable at the time made and upon the best information then reasonably available to the Companies. There is no fact materially adversely affecting the condition or operations, financial or otherwise, of the business or prospects of any of the Companies which has not been set forth in a footnote included in the financial statements previously delivered to the Agents and the Lenders, in a Schedule hereto or in any other written information delivered to the Agents prior to the Closing Date.

6.7. Environmental Matters. Except as disclosed in Schedule 6.7, none of the operations of the Companies are the subject of any federal, state or local investigation to determine whether any Remedial Action is needed to address the presence or disposal of a Hazardous Material or a Release or threatened Release, (ii) to the best of the Companies' knowledge, information and belief, the Companies do not have any contingent liability in connection with any Release, which could reasonably be expected to result in material Environmental Costs and Liabilities, (iii) the operations of the Companies are in compliance in all material respects with all Environmental Laws; (iv) there has been no Release at any of the properties owned or operated by the Companies or, to the best of the Companies' knowledge, information and belief, any predecessor in interest or title, or to the best of the Companies' knowledge, information and belief and except as disclosed in writing to the Agents, at any disposal or treatment facility which received Hazardous Materials generated by the Companies or, to the best of the Companies' knowledge, information and belief, any predecessor in interest or title, which is reasonably likely to result in the Companies' incurring material Environmental Liabilities and Costs; (v) no Environmental Actions are pending or, to the best of the Companies' knowledge, information and belief, threatened against the Companies or, to the best of the Companies' knowledge, information and belief, any predecessor in interest or title which, if adversely determined, could reasonably be expected to result in the Companies incurring material Environmental Liabilities and Costs; (vi) the Companies have obtained all permits, approvals, authorizations and licenses required by Environmental Laws necessary for their operations, and all such permits, approvals, authorizations and licenses are in effect and



the Companies are in compliance with all terms and conditions of such permits, approvals, authorizations and licenses except where failure to obtain or comply could not result in material Environmental Liabilities and Costs; and (vii) to the best of the Companies' knowledge, information and belief, and except as disclosed in writing to the Agents, no Environmental Actions have been asserted against any facilities that may have received Hazardous Materials generated by the Companies or any predecessor in interest or title which, if adversely determined, are reasonably likely to result in material Environmental Liabilities and Costs to the Companies.

6.8. Capital Stock. Set forth on *Schedule 6.8* is a complete and accurate list showing, as of the date hereof, all Subsidiaries of the Companies. At the request of Lenders or Agents, the Companies shall provide to Agents a complete and accurate list showing, as to each such Subsidiary, the jurisdiction of its incorporation, the number of shares of each class of stock authorized, the number outstanding on the date hereof and the percentage of the outstanding shares of each such class owned (directly or indirectly) by the Companies. No stock of any Subsidiary of the Companies is subject to any outstanding option, warrant, right of conversion or purchase or any similar right. All of the outstanding capital stock of each such Subsidiary has been validly issued, is fully paid and non-assessable and is owned by the Companies, free and clear of all Liens except Superior Existing Liens.

6.9. Schedules. All of the information which is required to be scheduled to this Agreement is set forth on the Schedules attached hereto, is correct and accurate and does not omit to state any information material thereto.

6.10. Insurance. *Schedule 6.10* hereto sets forth a true and complete list of all insurance maintained by the Companies on the Closing Date. The Companies shall cause such insurance to remain in full force and effect and in amounts not less than those set forth in *Schedule 6.10* during the term hereof.

6.11. Financial Accounting Practices.

(i) The Companies make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect their respective transactions and dispositions of their respective assets and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization, and (ii) transactions are recorded as necessary (A) to permit preparation of financial statements in conformity with GAAP except as previously disclosed to the Agents and (B) to maintain accountability for assets.

(ii) The Companies maintain a system of internal procedures and controls sufficient to provide reasonable assurance that the information required to be set forth in each request made by a Company pursuant to Section 2 hereof is accurate.

## **7. REPORTING REQUIREMENTS**

7.1. Reports and Notices. The Companies covenant and agree that from and after the Closing Date and until the payment in full of all the Obligations:

(a) unless the Agents shall have otherwise consented in writing, the Companies will furnish to the Agents and each Lender, within one hundred and five (105) days after the end of each Fiscal Year of the Companies, Consolidated Financial Statements as at the close of such year, audited by independent public accountants selected by the Companies and satisfactory to the Agents and an unaudited Consolidating Balance Sheet and consolidating statements of profit and loss, cash flow and surplus of the Companies and all Subsidiaries of each as at the close of such year; within fifty (50) days after the end of each Fiscal Quarter Consolidated Financial Statements and Consolidating Balance Sheet as at the end of such period and consolidating statements of profit and loss, cash flow and surplus of the Companies and all Subsidiaries of each and, such further information regarding the business affairs and financial condition of the Companies and any subsidiaries thereof as the Agents may reasonably request. Each financial statement which the Companies are required to submit hereunder must be accompanied by an officer's certificate, signed by the President, Chief Financial Officer, Vice President, Controller or Treasurer of Family Golf, pursuant to which any one such officer must certify that: (i) the financial statement(s) fairly and accurately represent(s) the Companies' financial condition at the end of the particular accounting period, as well as the Companies' operating results during such accounting period, subject to year-end audit adjustments; (ii) during the particular accounting period: (x) there has been no Default or Event of Default under this Agreement; provided, however, that if any such officer has knowledge that any Default or Event of Default has occurred during such period, the existence of and a detailed description of same shall be set forth in such officer's certificate; and (y) the Companies have not received any notice of cancellation with respect to property insurance policies; and (iii) the exhibits attached to such financial statement(s) include detailed calculations showing compliance with all financial covenants contained in this Agreement;

(b) to furnish the Agents with copies of the operating statements filed by the Companies with the Bankruptcy Court within five (5) days of the filing with the Bankruptcy Court; and

(c) to provide any other financial reports, financial statements or any other related information provided to any other creditor or interested party or which may be reasonably requested by the Agents.

## **8. AFFIRMATIVE COVENANTS**

Each Company covenants and agrees that, unless the Required Lenders shall

otherwise consent in writing, from and after the Closing Date and until the payment in full of all the Obligations:

8.1. Books and Records. The Companies agree to maintain books and records pertaining to the Collateral and their respective business in such detail, form and scope as the Agents shall reasonably require. The Companies agree that the Agents or their agents may enter upon any of the Companies' premises at any time during normal business hours, and from time to time, for the purpose of inspecting the Collateral, and any and all records pertaining thereto. The Companies agree to afford the Agents prior written notice of any change in the location of any Collateral, other than shipments of Inventory in the ordinary course of business to locations of which the Agents has previously been advised in writing. Each of the Companies agrees to advise the Agents promptly, in sufficient detail, of any material adverse change relating to the type, quantity or quality of the Collateral or on the security interests granted to the Agents therein.

8.2. Collateral. (a) Each of the Companies agrees to: execute and deliver to the Agents, from time to time, solely for the Agents' convenience in maintaining a record of the Collateral, such written statements and schedules as the Agents may reasonably require, designating, identifying or describing the Collateral pledged to the Agents hereunder. The Companies' failure, however, to promptly give the Agents such statements or schedules shall not affect, diminish, modify or otherwise limit the Agent's security interests in the Collateral.

(b) Each of the Companies agrees to comply with the requirements of all federal law in order to grant to the Agents valid and perfected first security interests in the Collateral. Each of the Companies agrees to do whatever the Agents may reasonably request in order to effect the purposes of this Agreement.

8.3. Insurance. (a) Each of the Companies agrees to maintain insurance on the Real Estate, the Leases, and the Equipment and Inventory under such policies of insurance, with such insurance companies, in such reasonable amounts and covering such insurable risks as are at all times reasonably satisfactory to the Agents. All policies covering the Equipment and Inventory are, subject to the rights of any holders of Permitted Encumbrances holding claims senior to the Agents, to be made payable to the Lenders, in case of loss, under a standard non-contributory "lender" or "secured party" clause and are to contain such other provisions as the Agents may require to fully protect the Lenders' interest in the Inventory and Equipment and to any payments to be made under such policies. All original policies or true copies thereof are to be delivered to the Agents, premium prepaid, with the loss payable endorsement in the Lenders' favor, and shall provide for not less than thirty (30) days' prior written notice to the Agents of the exercise of any right of cancellation. At the Companies' request, or if the Companies fail to maintain such insurance, the Agents may arrange for such insurance, but at the Companies' expense and without any responsibility on the Agents' part for: obtaining the insurance, the solvency of the insurance companies, the adequacy of the coverage, or the collection of claims. During the continuance of an Event of Default the Agents shall, subject to the rights of any holders of Permitted Encumbrances holding claims

senior to the Agents, have the sole right, in the name of the Agents or the Companies or any of them, to file claims under any insurance policies, to receive, receipt and give acquittance for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies.

(b) In the event any part of any damage to the Collateral by fire or other casualty, the Companies shall apply all insurance proceeds received on account of such damage or other casualty as Asset Sale Proceeds unless the Agents otherwise determine; provided, however, that if such insurance proceeds are in an amount less than \$100,000, then the Companies may elect not to treat such proceeds as Asset Sale Proceeds but use them to restore or repair the damaged fixed assets.

8.4. Charges. Each of the Companies agrees to pay, when due, all charges lawfully levied or assessed upon the Companies or the Collateral for any period commencing on or after the Petition Date and if such Charges remain unpaid after the date fixed for the payment thereof, unless such Charges are being diligently contested in good-faith by the Companies by appropriate proceedings, or if any Lien shall be claimed thereunder (a) for Charges due the United States of America or (b) which in the Agents= opinion might create a valid obligation having priority over the rights granted to the Agents herein, the Agents may, on the Companies' behalf, pay such Charges, and the amount thereof shall be an Obligation secured hereby and due to the Lenders according to each Lender-s Ratable Portion on demand by the Agents.

8.5. Compliance with Law. Each of the Companies: (a) agrees to comply with all acts, rules, regulations and orders of any legislative, administrative or judicial body or official, with which the failure to comply would have a material and adverse impact on the Collateral, or any material part thereof, or on the operation of the Companies' business; provided, however, that the Companies may contest any acts, rules, regulations, orders and directions of such bodies or officials in any reasonable manner which will not, in the Agents= reasonable opinion, materially and adversely affect the Agents= rights or priority in the Collateral; and (b) agrees to comply with all Environmental Laws, applicable to the ownership and/or use of its real property and operation of its business, which the failure to comply with would have a material and adverse impact on the Collateral, or any material part thereof, or on the operation of the business of the Companies. Notwithstanding the foregoing, no Company shall be deemed to have breached any provision of this Section 8.5 if (i) the failure to comply with the requirements of this Section 8.5 resulted from good-faith error or innocent omission, (ii) such Company promptly commences and diligently pursues a cure of such breach and (iii) such failure is cured within fifteen (15) Business Days following such Company's receipt of notice of such failure.

8.6. Indemnification. Each of the Companies hereby jointly and severally

indemnifies the Agents and the Lenders and agrees to defend and hold the Agents and the Lenders harmless from and against any and all loss, damage, claim, liability, injury or expense which the Agents and/or the Lenders may sustain or incur (other than as a result of actions of the Agents and/or the Lenders) in connection with: any claim or expense asserted against the Agents and/or the Lenders as a result of any environmental pollution, hazardous material or environmental clean-up of the Companies' real property; or any claim or expense which results from the Companies' operations (including, but not limited to, the Companies' off-site disposal practices); or any Environmental Law and the Companies further agree that this indemnification shall survive termination of this Agreement as well as the payment of all Obligations or amounts payable hereunder.

8.7. Cash Management. The Companies shall cause all cash, checks, notes, drafts or other similar items of payment relating to or constituting Asset Sale Proceeds with respect to the sale of Collateral first to be deposited and, when collected, to be transferred, via wire transfer in immediately available funds, to a bank account at a nationally-recognized financial institution acceptable to Agents where such proceeds are segregated from all other proceeds (the "Cash Collateral Account"). The Cash Collateral Account shall be a cash collateral account, with all cash, checks and other similar items of payment in such account securing payment of the Obligations and the Companies hereby grant to the Agents for the benefit of the Lenders a Lien therein. The Cash Collateral Account is subject to orders by the Bankruptcy Court.

8.8. Environmental Expenditures. The Companies agree to advise the Agents in writing of: (a) all expenditures (actual or anticipated) in excess of \$75,000 per site for (i) environmental clean-up, (ii) environmental compliance or (iii) environmental testing; (b) the impact of said expenses on the Companies' working capital; and (c) any notices a Company receives from any local, state or federal authority advising such Company of any environmental liability (real or potential) stemming from the Companies' operations, premises or waste disposal practices or the waste disposal sites used by such Company and will provide the Agents with copies of all such notices if requested by the Agents.

8.9 Financial Covenant. On each of September 30, 2000, December 31, 2000, and March 31 2001, the EBITDAR of the Companies shall not be less than sixty percent (60%) of the cumulative EBITDAR per the Budgets (the ABudgets@) attached hereto as Exhibit 8.9. On June 30, 2001, September 30, 2001, and November 30, 2001, the cumulative EBITDAR of the Companies for the prior twelve month period shall not be less than sixty percent (60%) of the cumulative EBITDAR for the Budgets for the same period. The budgeted EBITDAR requirement shall be reduced on a pro rata basis for all asset sales consummated during the period covered by the calculation. The combined budgeted EBITDAR shall be reduced by the EBITDAR pertaining to any asset sold for the period following the date of sale through the Termination Date.

## **9. NEGATIVE COVENANTS**

The Companies agree that, without the prior written consent of the Required Lenders, until payment in full of all the Obligations:

9.1. Liens. None of the Companies will mortgage, assign, pledge, transfer or otherwise permit any Lien to exist on any of its assets or goods, whether real, personal or mixed, whether now owned or hereafter acquired, except for Permitted Encumbrances.

9.2. Indebtedness. None of the Companies will incur or create any Indebtedness other than the Permitted Indebtedness.

9.3. Sale of Assets. None of the Companies will sell, convey, transfer, lease or otherwise dispose of any of their assets or any interest therein to any Person, except (i) any Company may sell, convey, transfer, lease or otherwise dispose of its assets to any Company; and (ii) any Company may sell, convey, transfer, lease or otherwise dispose of Inventory and obsolete Equipment in the ordinary course of business (iii) any Company may sell assets provided that the disposition of Asset Sale Proceeds related thereto is in compliance at all times with Section 8.7.

9.4. Merger, Consolidation. None of the Companies will merge or consolidate with any Person other than with another Company or otherwise alter or modify its corporate name, principal place of business, structure, status or existence, or enter into or engage in any operation or activity materially different from that presently being conducted by it.

9.5. Stock Restrictions. No Company shall permit any pledge, encumbrance, lien or other hypothecation of any interest in the stock, membership interests, partnership interests or any other ownership interest in any Company except for Superior Existing Liens and Liens in favor the Lenders. The Companies shall not directly or indirectly sell, assign, lease or otherwise dispose of or permit the sale, assignment or other disposition of any legal or beneficial interest in the stock or other ownership interest of any Company that is a corporation or any legal or beneficial interest in any Company that is a limited or general partnership, joint venture, tenancy in common or tenancy by the entirety, limited liability company or other type of entity. No Company shall issue or redeem any of its shares, or other legal or beneficial ownership interests.

9.6. Guarantees. None of the Companies will assume, guarantee, endorse or otherwise become liable upon the obligations of any Person other than another Company, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

## **10. TERMINATION**

10.1. Termination. Subject to the other terms and provisions hereof, the financing arrangement contemplated hereby shall be in effect from the Closing Date until the Termination Date. Notwithstanding anything contained in this agreement to the contrary, the Lenders' obligations hereunder shall terminate if the Closing Date shall not have occurred by May 8, 2000. All Obligations shall be due and payable on the Termination Date.

10.2. Survival of Obligations upon Termination of Financing Arrangement. Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the powers, obligations, duties, rights and liabilities of the Companies or the Lenders, as the case may be, relating to any transaction or event occurring prior to such termination and all Liens, claims and super-priority interests granted or confirmed herein shall continue in full force and effect until all Obligations are paid in full. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and representations contained in the Loan Documents shall survive such termination or cancellation and shall continue in full force and effect until such time as all of the Obligations have been paid in full in accordance with the terms of the agreements creating such Obligations, at which time the same shall terminate.

## **11. EVENTS OF DEFAULT; RIGHTS AND REMEDIES**

11.1. Events of Default. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an "Event of Default" hereunder:

(a) The Companies shall (i) fail to make any payment of principal or interest required herein to be made with respect to the Obligations, when due and payable or declared due and payable or (ii) fail to make any payment of any other amount owing in respect of the Loans or other Obligations owing under this Agreement or any of the other Loan Documents within five (5) days after such amount is due and payable; or

(b) The Companies or any one of them shall fail or neglect to perform, keep or observe any of the provisions of this Agreement other than a provision which would constitute a an Event of Default pursuant to Section 11.1(a) above and, if such failure is capable of cure, such failure is not cured within ten (10) days; or

(c) Any representation or warranty herein or in any Loan Document or in any written statement pursuant thereto or hereto, report, financial statement or certificate made or delivered to the Agents or the Lenders by any Company or on behalf of any Company shall be untrue or incorrect in any material respect, as of the date when made or deemed made; or

(d) Any material provision of any Loan Document shall, for any reason, cease to be valid and binding on any Company, or any Company shall so state in writing; or

(e) Any Loan Document, the Interim Order or the Final Order shall, for any reason, cease to create a valid Lien in any of the Collateral purported to be covered thereby or such Lien shall cease to be a perfected Lien having the priority provided for herein pursuant to section 364(c) of the Bankruptcy Code against each Company or any Company shall so allege in any pleading filed in any court; or

(f) There shall occur a Material Adverse Change; or

(g) The Bankruptcy Court shall enter an order appointing a trustee under section 1104(a) of the Bankruptcy Code in any of the Chapter 11 Cases; or

(h)(i) The Interim Order shall cease to be in full force and effect and the Final Order shall not have been entered prior to such cessation, or (ii) the Final Order shall not have been entered by the Bankruptcy Court on or before June 15, 2000 or (iii) from and after the date of entry thereof, the Final Order shall cease to be in full force and effect, or (iv) any Company shall fail to comply with the terms of the Interim Order or the Final Order in any material respect and such failure, if capable of cure, is not cured within five (5) days, or (v) the Interim or the Final Order shall be amended, supplemented, stayed, reversed, vacated or otherwise modified (or any of the Companies shall apply for authority to do so) without the consent of the Required Lenders; or

(i) The Bankruptcy Court shall enter an order appointing a responsible officer or an examiner with enlarged powers relating to the operation of the business (beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code) under section 1106(b) of the Bankruptcy Code, in any of the Chapter 11 Cases; or

(j) Any of the Chapter 11 Cases shall be dismissed or converted to a case under chapter 7 of the Bankruptcy Code; or an application shall be filed by any of the Companies for the approval of, or there shall arise, (i) any other Claim having priority senior to or pari passu with the claims of the Lenders under the Loan Documents or any other claim having priority over any or all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code (other than Carve Outs); or (ii) any Lien on the Collateral having a priority senior to or pari passu with the liens and security interests granted or confirmed herein, except as expressly provided herein or expressly permitted under Section 9.1 hereof; or

(k) Any Company shall file a motion seeking or the Bankruptcy Court shall enter an order granting relief from the automatic stay applicable under section 362 of the Bankruptcy Code to any holder of any security interest in any assets having a book value individually or in the aggregate in excess of \$250,000 of any Company (other than with respect to Permitted Purchase Money Liens incurred after the Petition Date); or

(l) Any Company shall seek to, or shall support (whether by way of any motion or other pleading filed with the Bankruptcy Court or any other writing to another party-in-



interest executed by or on behalf of a Company or by oral argument) any other Person's motion to, disallow in whole or in part any of the Obligations or to challenge the validity and enforceability of the liens or security interests granted or confirmed herein; or

11.2. Remedies. (a) If any Event of Default shall have occurred and be continuing, the Agents may, at their option, without notice, (i) terminate the Commitment with respect to further Loans, whereupon no Loans may be made, and/or (ii) declare all Obligations to be forthwith due and payable, whereupon all Obligations shall become and be due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Companies, and/or (iii) charge the Default Rate of Interest on all then outstanding or thereafter incurred Obligations in lieu of the interest provided for in Section 3.

(b) Upon the occurrence and during the continuance of an Event of Default, and upon five (5) Business Days' prior notice to the Companies, any Creditors' Committee and the United States Trustee, the automatic stay provided in section 362 of the Bankruptcy Code shall be deemed automatically vacated without further order of the Bankruptcy Court and the Agents and the Lenders shall be immediately permitted to, inter alia, pursue any and all of their remedies against the Companies and/or the Collateral and seek payment in respect of all Obligations.

(c) In addition to the remedies set forth above, the Agents on behalf of the Lenders may exercise any of the remedies with respect to the Collateral provided for in Section 5.6 or elsewhere herein or any other remedies provided by applicable law.

11.3. Waivers by the Companies. Except as otherwise provided for in this Agreement and applicable law, the Companies waive (i) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by the Lenders on which the Companies may in any way be liable and hereby ratify and confirm whatever the Agents or the Lenders may do in this regard, (ii) all rights to notice and a hearing prior to the Lenders' taking possession or control of, or to the Agents' or any Lender's replevy, attachment or levy upon, the Collateral or any bond or security which might be required by any court prior to allowing the Agents or any Lender to exercise any of its remedies, and (iii) the benefit of all valuation, appraisal and exemption laws. The Companies acknowledge that they have been advised by attorneys of their choice with respect to this Agreement, the other Loan Documents and the transactions evidenced by this Agreement and the other Loan Documents.

## **12. MISCELLANEOUS**

12.1. Complete Agreement. The Loan Documents constitute the complete agreement between the parties with respect to the subject matter hereof and may not be

modified, altered or amended except by an agreement in writing signed by the Companies, the Agents and the Lenders.

12.2. Fees and Expenses. Whether or not the transactions contemplated hereunder are completed, the Companies shall be liable for all Out-of-Pocket and Associated Expenses. Without limiting the foregoing, if, at any time or times, regardless of the existence of an Event of Default (except with respect to paragraphs (iii) and (iv) below, which shall be subject to an Event of Default having occurred and continuing), the Agents on behalf of the Lenders shall employ counsel or other advisors for advice or other representation or shall incur reasonable legal or other costs and expenses in connection with:

(i) any amendment, modification or waiver, or consent with respect to, any of the Loan Documents or advice in connection with the administration of the loans made pursuant hereto or its rights hereunder or thereunder;

(ii) any litigation, contest, dispute, suit, proceeding or action (whether instituted by the Agents, any Lender, any of the Companies or any other Person) in any way relating to the Collateral, any of the Loan Documents or any other agreements to be executed or delivered in connection herewith;

(iii) any attempt to enforce any rights or remedies of the Agents or the Lenders against the Companies or any other Person, that may be obligated to a Lender by virtue of any of the Loan Documents; or

(iv) any attempt to verify, protect, collect, sell, liquidate or otherwise dispose of the Collateral;

then, and in any such event, all such costs and expenses of the Agents, including the attorneys' and other parties' fees arising from such services, including those of any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in any way or respect arising in connection with or relating to any of the events or actions described in this Section shall be payable, on demand, whether or not the transactions contemplated hereunder are consummated, by the Companies to the Agents and shall be additional Obligations secured under this Agreement. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: paralegal fees, costs and expenses; accountants' and investment bankers' fees, costs and expenses; court costs and expenses; photocopying and duplicating expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telefax charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal services.

12.3. No Waiver by Lenders. The Agents= or any Lender's failure at any time or times, to require strict performance by the Companies of any provision of this Agreement

and any of the other Loan Documents shall not waive, affect or diminish any right of the Agents or such Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver by the Agents or any Lender of an Event of Default by the Companies under the this Agreement or any other Loan Document shall not suspend, waive or affect any other Event of Default by the Companies under this Agreement or any of the other Loan Documents whether the same is prior or subsequent thereto and whether of the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of any Company contained in this Agreement or any of the other Loan Documents and no defaults by any Company under any of the Loan Documents shall be deemed to have been suspended or waived by the Agents or the Lenders, unless such suspension or waiver is by an instrument in writing and directed to the Companies specifying such suspension or waiver.

12.4. Additional Remedies. The Agents= and the Lenders' rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies which the Agents and the Lenders may have under any other agreement, including without limitation, the Loan Documents, the U.C.C., by operation of law or otherwise. Recourse to the Collateral shall not be required. This Agreement is without prejudice to any rights of the Lenders under the Bankruptcy Code or under non-bankruptcy law. Nothing in this Agreement shall be deemed a waiver of the Lenders' right of banker's lien or setoff.

12.5. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

12.6. Parties. This Agreement and the other Loan Documents shall be binding upon, and inure to the benefit of, the successors of the Companies, the Agents, the Lenders and the assigns, transferees and endorsees of the Lenders.

12.7. Conflict of Terms. Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

12.8. Authorized Signature. Until the Agents shall be notified by any Company to the contrary, the signature upon any document or instrument delivered pursuant hereto of an officer of each Company listed in Schedule 12.8 shall bind the Companies and be deemed to be the act of the Companies affixed pursuant to and in accordance with resolutions duly adopted by Companies' Board of Directors.

12.9. Governing Law; Litigation. (a) Except as otherwise expressly provided in any of the Loan Documents, in all respects, including all matters of construction, validity and performance, this Agreement and the Obligations arising hereunder shall be governed by, and be construed and enforced in accordance with, the laws of the State of New York applicable to contracts made and performed in such state, without regard to the principles thereof regarding conflict of laws, and any applicable laws of the United States of America, including the Bankruptcy Code. Service of process on the Companies, the Agents or the Lenders in any action arising out of or relating to any of the Loan Documents shall be effective if mailed to such party at the address listed in Section 12.10.

(b) THE COMPANIES, THE AGENTS AND THE LENDERS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE IN ANY COURT IN WHICH AN ACTION MAY BE COMMENCED ARISING OUT OF THIS AGREEMENT, THE COLLATERAL OR ANY ASSIGNMENT THEREOF OR BY REASON OF ANY OTHER CAUSE OR DISPUTE WHATSOEVER BETWEEN THEM OF ANY KIND OR NATURE. THE COMPANIES, THE AGENTS AND THE LENDERS HEREBY AGREE THAT THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK OR, AT THE OPTION OF THE AGENTS OR THE LENDERS, ANY COURT IN WHICH ANY AGENT OR ANY LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY, SHALL HAVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN OR AMONG THE COMPANIES, THE AGENTS AND THE LENDERS, PERTAINING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT OR TO ANY MATTER ARISING THEREFROM. THE COMPANIES EXPRESSLY SUBMIT AND CONSENT IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED IN SUCH COURTS, HEREBY WAIVING PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND AGREEING THAT SERVICE OF SUCH SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE COMPANIES AT THE ADDRESSES OF THE COMPANIES SET FORTH BELOW. SHOULD THE COMPANIES FAIL TO APPEAR OR ANSWER ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SO SERVED WITHIN THIRTY (30) DAYS AFTER THE MAILING THEREOF, THEY SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED AGAINST THEM AS DEMANDED OR PRAYED FOR IN SUCH SUMMONS, COMPLAINT, PROCESS OR PAPERS. THE CHOICE OF FORUM SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT OF ANY JUDGMENT OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION UNDER THIS AGREEMENT TO ENFORCE SAME IN ANY APPROPRIATE JURISDICTION. THE COMPANIES WAIVE ANY OBJECTION BASED UPON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER.

12.10. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by another, or whenever any of the parties desires to give or serve upon another any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and either shall be delivered in person with receipt acknowledged or by registered or certified mail, return receipt requested, postage prepaid, or telecopied and confirmed by telecopy answerback addressed as follows:

(a) If to Agents, at

Magten Asset Management Group  
35 E. 21<sup>st</sup> Street  
New York, New York 10010  
Attention: Allan Brown  
Telecopy: (212) 505-0484

and  
Pacholder Associates  
8044 Montgomery Road  
Bank One Towers, Suite 382  
Cincinnati, Ohio 45236  
Attention: Bruce Ferguson  
Telecopy: (513) 985-3217

With copies to:

Winick & Rich, P.C.  
919 Third Avenue  
New York, New York 10022  
Attention: Jeffrey N. Rich, Esq.  
Telecopy: (212) 308-5945

(b) If to Chang

Dominic Chang

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(c) If to any Company, addressed to it, at

Family Golf Centers, Inc.

538 Broad Hollow Road  
Melville, New York 11747  
Attention: Krishnan P. Thampi  
Telecopy:(631) 694-1935

With copies to:

Fried, Frank, Harris, Shriver & Jacobson  
One New York Plaza  
New York, NY 10004  
Attention: Larry First, Esq.  
Telecopy: (212) 859-8583

or at such other address as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been duly given or served on the date on which personally delivered, with receipt acknowledged, telecopied and confirmed by telecopy answerback or three (3) Business Days after the same shall have been deposited in the United States mail. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to the persons designated above to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication. The Agents shall provide the Lenders with copies of all notices received from the Companies hereunder, such notices to be sent to the address of each Lender specified in writing by such Lender to the Agents for this purpose from time to time.

12.11. Section 506(c) Waiver. In consideration of the DIP Loan Facility being made available to the Companies by the Lenders, each Company hereby agrees not to assert and affirmatively waives any claim it otherwise might have under section 506(c) of the Bankruptcy Code and agrees that the Collateral securing the Obligations to the Lenders may be charged with costs or expenses only as provided for under Section 2.3. with respect to Carve Outs.

12.12. No Waiver. No delay on the part of the Agents or any of the Lenders in exercising any power of sale, lien, option or other right hereunder or under any Loan Document and no notice or demand which may be given to or made upon any Company with respect to any power of sale, lien, option or any other right hereunder or thereunder shall constitute a waiver thereof, or limit or impair the right of the Agents or any of the Lenders to take any action or to exercise any power of sale, lien, option or any other right under this Agreement without notice or demand (except as otherwise provided by the terms of this Agreement), nor shall any single or partial exercise thereof, or the exercise of any power, Lien, option or other right under this Agreement or otherwise, prejudice any of their rights against the Companies in any respect.

12.13. Survival. The representations and warranties of the Companies in this Agreement shall survive the execution, delivery and acceptance hereof by the parties hereto and the closing of the transactions described herein or related hereto.

12.14. Section Titles. The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the Agreement between the parties hereto.

12.15. Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall, collectively and separately, constitute one agreement.

12.16. Joint and Several. Each of the Companies shall be jointly and severally liable for all claims, liabilities, agreements, and obligations hereunder and under the other Loan Documents, including, without limitation, all Obligations.

12.17. Indemnity. The Companies agree to indemnify and hold harmless the each Agent and each Lender, and the directors, officers, employees, agents, consultants and advisors of or to any of the foregoing (each of the foregoing being an "Indemnatee") from and against any and all claims, damages, liabilities, obligations, losses, penalties, actions, judgments, suits, costs, disbursements and expenses of any kind or nature (including, without limitation, fees and disbursements of counsel to any such Indemnatee) which may be imposed on, incurred by or asserted against any such Indemnatee in any manner relating to or arising out of this Agreement, any other Loan Document, any Obligation, or any act, event or transaction related or attendant to any thereof, including any enforcement or collection of the Obligations, whether or not any such Indemnatee is a party thereto, whether direct, indirect, or consequential and whether based on any federal, state or local law; provided, however, that the Companies shall not have any obligation under this Section to an Indemnatee with respect to any of the foregoing caused by or resulting from the gross negligence or willful misconduct of such Indemnatee or of the Agent or Lender of which such Indemnatee is a director, officer, employee, agent, consultant or advisor, as determined by a court of competent jurisdiction in a final non-appealable judgment or order or results from disputes among Indemnitees not involving the Companies.

### **13. AGREEMENT BETWEEN THE LENDERS; ASSIGNMENTS**

13.1. Fund Disbursement/Collections. (a) An Agent, individually, for the account of the Lenders, may (but shall not be obligated), upon request by the Lender(s) (or any of the Lenders), disburse loans and advances to the Companies on behalf of such requesting Lender. It is understood that for purposes of advances to the Companies and for purposes of this Section 13.1 the Agents may be using the funds of the Agents.

(b) The Agents, for the account of the Lenders shall handle all collections of Collateral.

Nothing contained in this subsection shall relieve any Lender which has failed to make available its Ratable Portion of any borrowing hereunder from its obligation to do so in accordance with the terms hereof. Nothing contained herein shall be deemed to obligate the Agent to make available to the Companies any requested advance.

13.2. Payment by Lenders. On the Settlement Date, the Agents and the Lenders shall each remit to the other, in immediately available funds, all amounts necessary so as to ensure that, as of the Settlement Date, the Lenders shall have their Ratable Portion of all outstanding Obligations.

13.3. Obligations Several. The Companies, the Agents and the Lenders hereby agree that each Lender is solely responsible for its Ratable Portion of the Loans and that neither the Agents nor any Lender shall be responsible for, nor assume any obligations for the failure of any Lender to make available, its Ratable Portion of the Loans. Further, should any Lender refuse to make available its Ratable Portion of the Loans, then any other Lender may, but without obligation to do so, increase, unilaterally, its Ratable Portion of the Loans in which event the Companies are so obligated to that other Lender.

13.4. Legal Action; Expenses. In the event that the Agents, the Lenders or any one of them is sued or threatened with suit by the Companies or any one of them, or by any receiver, trustee, creditor or any committee of creditors with respect to any matter relating to or arising from this Agreement or the other Loan Documents, then in such event any money paid in satisfaction or compromise of such suit, action, claim or demand and any expenses, costs and attorneys' fees paid or incurred in connection therewith, whether by the Agents, the Lenders or any one of them, shall be shared by the Lenders ratably, except that, in the event that such expenses, costs or result from any suit, action, claim or demand resulting from the gross negligence or willful misconduct of any Lender, as determined by a final and non-applicable judgment of a court of competent jurisdiction, all such expenses, costs or fees shall be borne by that Lender alone. In addition, any costs, expenses, fees or disbursements incurred by outside agencies or attorneys retained by the Agents to effect collection or enforcement of any rights in the Collateral, including enforcing, preserving or maintaining rights under this Agreement or any Loan Documents shall be shared ratably between and among the Lenders to the extent not reimbursed by the Companies or from the proceeds of Collateral.

13.5. Application of Proceeds Following Event of Default. Each of the Lenders agrees with each other Lender that any money or assets of the Companies held or received by such Lender, no matter how or when received, shall be applied to the reduction of the Obligations after (a) the occurrence and during the continuance of an Event of Default and (b) the election by the Agents to accelerate the Obligations; provided, however, that no Lender



shall be required to apply any such money or assets toward reduction of the Obligations to the extent that such money or assets is collateral or proceeds of Collateral for Indebtedness (other than an Obligation) owed to such Lender. In addition, the Companies authorize, and the Agents and the Lenders shall have the right, without notice, upon any amount becoming due and payable hereunder, to set-off and apply any and all property held by, or in the possession of such Lender or the Agents against the Obligations.

13.6. Assignments by the Lenders. Each Lender shall have the right at any time to assign to one or more commercial banks, commercial finance lenders or other financial institutions all or a portion of its rights and obligations under this Agreement (including, without limitation, its obligations under the Loans). Upon execution of an assignment and transfer agreement in form and substance customary for these purposes of this Section 13.7, (i) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such assignment, have the rights and obligations of a Lender hereunder, and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such assignment, relinquish its rights and be released from its obligations under this Agreement. The Companies shall, if necessary, execute any documents reasonably required to effectuate the assignments. No Lender may assign its interest in the loans and advances and extensions of credit hereunder without the prior written consent of the Agents (such consent not to be unreasonably withheld) and if a Lender has an affiliate, parent, Subsidiary or related party that is an Agent at the time of the assignment, the Agent shall resign, a successor agent shall not be appointed and all rights and obligations applicable to the Agents herein shall be applicable only with respect to the remaining Agent. Notwithstanding any of the foregoing, Chang may not assign its rights or obligations without the prior written consent of each of the other Lenders which consent may be held in either Lender's sole and absolute discretion and any attempted assignment shall be void and of no force or effect. Notwithstanding any of the foregoing, no assignment may be made from which the result would be that the combined interests in the Loans of Magten and Pacholder (and each of such party's Subsidiaries or affiliates) does not exceed fifty (50%) percent.

13.7. Mandatory Repurchase. GM, DOP, and PVOF (and any such party's assignee pursuant to Section 13.6 above) each agree, to the extent of each party's Ratable Portion of the outstanding principal balance of the Loans, to repurchase the interest of Chang in the outstanding principal balance of the Loans at any time should Chang be involuntarily terminated from all of his current positions as officer(s) and director(s) of the Companies, provided:

**(a) such termination is not the result of any intentional or negligent act of Chang, or any act which is either (i) not in good faith in the performance of his duties in connection with such office or position (ii) not in good faith accordance with the intents of this Loan Agreement (including without limitation this Section 13.7);**

**(b) no Default nor Event of Default has occurred or is continuing; and**

**(c) Chang executes and delivers such documents and instruments and performs such acts as are reasonably requested by the remaining Lenders and as are customary in loan purchase transactions of this type and Chang pays all of the assignors' expenses (including attorneys fees) associated with the assignment.**

#### **14. AGENCY; AMENDMENTS AND WAIVERS**

14.1. Appointment. (a) Each Lender hereby irrevocably designates and appoints the Agents as the Agents for the Lenders under this Agreement and the other Loan Documents and irrevocably authorizes Agents as the Agents for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Agents by the terms of this Agreement and the other Loan Documents together with such other powers as are reasonably incidental thereto, including, without limitation, to receive, indorse and collect all instruments made payable to the Companies representing any dividend or other distribution or payment in respect of the Pledged Collateral or any part thereof, to give full discharge for the same, and to vote or grant any consent in respect of the Pledged Shares as authorized in this Agreement. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agents shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with or obligation to any Lender and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement and the other Loan Documents or otherwise exist against the Agents.

(b) Co-Agents. The powers conferred and the obligations imposed upon the Agents herein are conferred and imposed jointly and not severally, except where the context specifically otherwise requires or states.

14.2. Performance of Duties. The Agents may execute any of their duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to the advice of counsel concerning all matters pertaining to such duties.

14.3. Agents Not Liable. Neither Agent nor any of either Agent's officers, directors, employees, agents, or attorneys-in-fact shall be (i) liable to any Lender for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any Loan Document (except for its or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any Lender for any recitals, statements, representations or warranties made by the Companies or any of them, or any officer of any thereof contained in this Agreement or any Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any of the Loan Documents or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement

or any of the Loan Documents or for any failure of the Companies to perform their obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any of the Loan Documents or to inspect the properties, books or records of the Companies, or any of them.

14.4. Reliance by Agents. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Companies), independent accountants and other experts selected by the Agents (or either of them). The Agents shall be fully justified in failing or refusing to take any action under this Agreement and all Loan Documents unless it shall first receive such advice or concurrence of the Lenders, or the Required Lenders, as the case may be, as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

14.5. Notice of Event of Default. Neither Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received notice from a Lender or the Companies describing such Default or Event of Default. In the event that the Agents receives such a notice, the Agents shall promptly give notice thereof to the Lenders. The Agents shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders provided that unless and until the Agents shall have received such direction, the Agents may in the interim (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable and in the best interests of the Lenders.

14.6. No Representations; Independent Approval. Each Lender expressly acknowledges that neither the Agents nor any of either Agent's officers, directors, employees, agents or attorneys-in-fact has made any representations or warranties to it and that no act by the Agents hereinafter taken, including any review of the affairs of the Companies, shall be deemed to constitute any representation or warranty by the Agents to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Companies and made its own decision to enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under the Agreement and

to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition or creditworthiness of the Companies. Each Agent however, shall provide the Lenders with copies of all financial statements, projections and business plans which come into the possession of such Agent or any of its officers, employees, agents or attorneys-in-fact.

14.7. Indemnity. The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the Companies and without limiting the obligation of the Companies to do so), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever (including negligence on the part of such Agent) which may at any time be imposed on, incurred by or asserted against such Agent in anyway relating to or arising out of this Agreement or any of the Loan Documents or any of the documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by such Agent under or in connection with any of the foregoing, provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from an Agent's gross negligence or willful misconduct. The agreements in this Section 14.7 shall survive the payment of the Obligations.

14.8. Agent as Lender. Either Agent may make loans to, and generally engage in any kind of business with, the Companies as though such Agent were not an Agent hereunder. With respect to its loans made or renewed by it or loan obligations hereunder as Lender, such Agent shall have the same rights and powers, duties and liabilities under this Agreement as any Lender and may exercise the same as though it was not an Agent and the terms "Lender" and "Lenders" shall include such Agent in its individual capacities.

14.9. Resignation. Either Agent may resign as the Agent upon thirty (30) days' notice to the Lenders and such resignation shall be effective upon the appointment of a successor Agent. If an Agent shall resign as Agent, then the Required Lenders shall appoint a successor Agent for the Lenders whereupon such successor Agent shall succeed to the rights, powers and duties of the Agents and the term "Agent" shall mean such successor Agent effective upon its appointment, and the former Agent's rights, powers and duties as the Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. After any retiring Agent's resignation hereunder as the Agent, the provisions of this Section 14 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent.

14.10. Amendments; Waiver. No amendment or waiver of any provision of this Agreement or any of the other Loan Documents, nor consent to any departure by any Company therefrom, shall in any event be effective unless the same shall be by the Agents and consented to in writing by the Required Lenders, and then any such waiver or consent shall be effective only in the specific instance for which given; provided, however, that

no amendment, waiver or consent shall, unless consented to by all the Lenders in writing, do any of the following: (a) amend the Agreement to (i) increase the Maximum Amount; (ii) reduce the interest rates; (iii) reduce or waive (A) any fees in which the Lenders share hereunder or (B) the repayment of any Obligations due the Lenders; or (iv) extend the maturity of the Obligations; (b) alter or amend this Section 14.10 or the definitions of Commitment, Collateral, ratably or Ratable Portion, or Required Lenders; (c) release Collateral in bulk, other than in connection with a sale of assets permitted hereunder, without a corresponding reduction in the Obligations to the Lenders; or (d) intentionally make any Loan if after giving effect thereto the total of all Loans for the Companies would exceed, at any time, the Maximum Amount. In all other respects the Agents are authorized to take such actions or fail to take such actions if the Agents, in its reasonable discretion, deem such to be advisable and in the best interest of the Lenders, including, but not limited to, the making of an overadvance or the termination of the Agreement upon the occurrence of an Event of Default unless it is specifically instructed to the contrary by the Required Lenders. No amendment, modification, termination or waiver of any provision of Sections 14.1 through 14.9 or any other provisions referring to the Agents shall be effective without the written consent of the Agents. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

14.11. Deemed Consent. In the event any Lender's consent is required pursuant to the provisions of this Agreement and such Lender does not respond to any request by the Agents for such consent within ten (10) days after such request is made to such Lender, such failure to respond shall be deemed a consent. In addition, in the event that any Lender declines to give its consent to any such request, it is hereby mutually agreed that the Agents and/or any other Lender shall have the right (but not the obligation) to purchase such Lender's rights and obligations under this Agreement (including, without limitation, its share of the Loans) for the full amount thereof together with accrued interest thereon to the date of such purchase.

14.12 Family Golf as Agent and Attorney-in-Fact for its Subsidiaries. Each of the Subsidiaries hereby irrevocably appoints Family Golf as its agent and attorney-in-fact for the purposes of (a) securing Loans hereunder; (b) distributing the proceeds of Loans to itself and/or any one or more of the Subsidiaries and (c) executing and delivering all documents and instruments necessary to carry out the transactions contemplated hereby or any amendment, modification or restatement hereto which it may determine in its sole and absolute discretion are for the benefit of the Companies; all of the foregoing, with power to endorse each of the Subsidiary's names or any invoice, bill of lading or other document of title relating to the Collateral, on notices assignment, financing statements and other public records, and to do any act which the Subsidiaries (or any of them) are obligated to do hereunder or is necessary or convenient to carry out the intents contemplated hereby or any amendment, modification, or restatement hereto.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their proper and duly authorized officers as of the date set forth above. This Agreement shall take effect as of the date set forth above after being accepted below by an officer of the Agent and the Lenders after which, the Agents shall forward to the Companies a fully executed original for their files.

MAGTEN ASSET MANAGEMENT CORP.,  
as Agent for Lenders

By: \_\_\_\_\_  
Title: \_\_\_\_\_

PACHOLDER ASSOCIATES,  
as Agent for Lenders

By: \_\_\_\_\_  
Title: \_\_\_\_\_

DEPARTMENT OF PENSIONS - City of Los Angeles

By: \_\_\_\_\_  
Title: \_\_\_\_\_

GENERAL MOTORS EMPLOYEES GLOBAL  
GROUP PENSION TRUST

\_\_\_\_\_  
By: Magten Asset Management Corp.,  
as attorney-in-fact

PACHOLDER VALUE OPPORTUNITY FUND, L.P.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

---

Dominic Chang

FAMILY GOLF CENTERS, INC.

---

BY: Krishnan P. Thampi  
ITS: PRESIDENT AND CEO

SUBSIDIARIES:

Randall's Island Family Golf Centers, Inc.  
82<sup>nd</sup> Avenue Golf Range, Inc.  
Alpharetta Family Golf Centers, Inc.  
Blue Eagle (OP) Inc.  
Blue Eagle of Florida, Inc.  
Blue Eagle of Kansas, Inc.  
Bronx Family Golf Centers, Inc.  
Brooklyn Family Golf Centers, Inc.  
Broward Family Golf Centers, Inc.  
C.B. Family Golf Centers, Inc.  
Carlsbad Family Golf Centers, Inc.  
Carolina Springs Family Golf Centers, Inc.  
Carver Family Golf Centers, Inc.  
Cerritos Family Golf Centers, Inc.  
Chicago Family Golf Centers, Inc.  
Cincinnati Family Golf Centers, Inc.  
Commack Family Golf Centers, Inc.  
Confidence Golf, Inc.  
County Line Family Golf Centers, Inc.  
Darlington Family Golf Centers, Inc.  
Denver Family Golf Centers, Inc.  
Eagle Quest Golf Centers (H.P.) Inc.  
Eagle Quest Golf Centers (California) Inc.  
Eagle Quest Golf Centers (Texas II) Inc.  
Eagle Quest Golf Centers (Texas) Inc.  
Eagle Quest Golf Centers (U.S.) Inc.  
Eagle Quest Golf Centers (Washington II), Inc.

Eagle Quest Golf Centers (Washington) Inc.  
Eagle Quest Golf Centers Entertainment Inc.  
Easton Family Golf Centers, Inc  
El Cajon Family Golf Centers, Inc.  
Elk Grove Family Golf Centers, Inc.  
Encino/Balboa Family Golf Centers, Inc.  
Englewood Family Golf Centers, Inc.  
Evergreen Family Golf Centers, Inc.  
Evergreen Golf Course, L.L.C.  
Fairfield Family Golf Centers, Inc.  
Family Golf Acquisition, Inc.  
Family Golf Centers, Inc.  
Family Golf Vending, Inc.  
Federal Way Family Golf Centers, Inc.  
Flanders Family Golf Centers, Inc.  
Flemington Family Golf Centers, Inc.  
GBGC Family Golf Centers, Inc.  
Genprop, LLC  
Global/Golf Gavilan  
Golden Spikes, Inc.  
Golf Park, Inc.  
Goose Creek Golf Partners L.P.  
Green Oak Golf Practice Center, Inc.  
Green Valley Family Golf Centers, Inc.  
Green Valley Ranch Golf Course, LLC  
Greenville Family Golf Centers, Inc.  
Holbrook Family Golf Centers, Inc.  
Iceworks of America, Inc.  
Illinois Center Golf Partners, L.P.  
IMG Properties, Inc.  
Indian River Family Golf Centers, Inc.  
Interbay Family Golf Centers, Inc.  
International Skating Center of Connecticut, LLC  
Kansas City Family Golf Centers, Inc.  
Kansas Family Golf Centers, Inc.  
Lake Grove Family Golf Centers, Inc.  
Lodi Family Golf Centers, Inc.  
Maineville Family Golf Centers, Inc.  
Margate Family Golf Centers, Inc.  
Mesa Family Golf Centers, Inc.  
MetroGolf Illinois Center, Inc.  
MetroGolf Incorporated  
MetroGolf Management, Inc.



MetroGolf New York, Inc.  
MetroGolf San Diego, Inc.  
MetroGolf Virginia, Inc.  
Milpitas Family Golf Centers, Inc.  
Milwaukee Family Golf Centers, Inc.  
Olney Family Golf Centers, Inc.  
Orient Associates International, Inc.  
Overland Family Golf Centers, Inc.  
Overland Park, LLC  
Palm Desert Family Golf Centers, Inc.  
Palm Family Golf Centers, Inc.  
Pardoc Vending Corp.  
Peachtree Family Golf Centers, Inc.  
Pelham Family Golf Centers, Inc.  
Philadelphia Family Golf Centers, Inc.  
Pinnacle Entertainment, Inc.  
Portland Family Golf Centers, Inc.  
Precision Courses, Inc.  
Privatization Plus, Inc.  
Raleigh Family Golf Centers, Inc.  
Recreational Management Corporation  
Recreational Management Services Corporation  
Recreational Management Services of New Jersey, Inc.  
Richmond Family Golf Centers, Inc.  
RMSC of California, Inc.  
Sacramento Family Golf Centers, Inc.  
San Bruno Family Golf Centers, Inc.  
San Jose Family Golf Centers  
Shelton Family Golf Centers, Inc.  
SkateNation Inc.  
SkateNation of Piney Orchard, L.L.C.  
SkateNation of Prince William, L.L.C.  
SkateNation of Reston, LLC  
SkateNation of Richmond South, LLC  
SkateNation of Richmond West, L.L.C.  
Skycon Construction Co., Inc.  
Skydrive Alley Pond Company, Inc.  
Skydrive Co., Inc.  
Skydrive Greenburgh Co., Inc.  
Skydrive Willowbrook NJ, Inc.  
Solano Golf Center, L.P.  
Sports Plus Cincinnati, Inc.  
Sports Plus New Rochelle, Inc.

Sports Plus Properties, Inc.  
Sports Plus Properties, LLC  
Sports Plus Raleigh, Inc.  
Sports Plus Woodbridge, Inc.  
St. Louis Family Golf Centers, Inc.  
Stuart Family Golf Centers, Inc.  
Tempe Family Golf Centers, Inc.  
The Practice Tee, Inc.  
The Seven Iron, Inc.  
TPT El Segundo, Inc.  
Tucson Family Golf Centers, Inc.  
Valley View Family Golf Centers, Inc.  
Vintage New York Golf, L.L.C.  
Virginia Beach Family Golf Centers, Inc.  
Voorhees Family Golf Centers, Inc.  
West Palm Beach Family Golf Centers, Inc.  
Westminster Family Golf Centers, Inc.  
Whitehall Family Golf Centers, Inc.  
Wichita Family Golf Centers, Inc.  
Yorktown Family Golf Centers, Inc.

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BY: Krishnan P. Thampi  
EACH SUBSIDIARIES: PRESIDENT AND CEO



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